Virgin v BA
Swashbuckling Branson wins cut-throat war
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Massachusetts under siege
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FT NEWSPAPER of THE YEAR

FINANCIAL TIMES

Europe's Business Newspaper — TUESDAY JANUARY 12 1993 — D8523A

Bombay state of emergency urged by industrialists

The Indian government is being urged by Bombay industrialists to allow the army full control of India's commercial capital, which has been paralysed by communal violence for seven days. Some 175 people have died and more than 700 have been injured in riots that appear to have been fanned by Hindu groups intent on ousting prime minister P.V. Narasimha Rao.

Tension continued as Murli Manohar Joshi (centre), president of the militant Hindu BJP party, reiterated his commitment to build Hindu temples in Ayodhya. Mr Joshi was released after a month in custody following the destruction of Ayodhya mosque. Page 4

Branson wins battle against BA: Richard Branson and Virgin Atlantic airline won damages of £610,000 ($925,000) in a two-year legal battle against British Airways. Mr Branson accused BA of trying to put Virgin out of business. Page 16; Editorial Comment, Page 15

Banco Espanol de Credito became the first bank in continental Europe to repackage corporate loans for resale to investors in a move likely to be copied by other banks which need to boost capital reserves. Page 17

US motor giants seek tariffs: The US motor industry wants a 25 per cent tariff imposed on two categories of imported vehicles to persuade Japan to reduce its $33bn automotive trade surplus with the US. Page 3

Stockholm plans spending cuts: Sweden's government proposed a further SKr12bn ($1.7bn) in spending cuts for 1993-1994, but still expects a budget deficit of SKr162bn next year, 11.2 per cent of GDP. Page 2; Lex, Page 16

Somali arms reduction: US marines closed down Mogadishu's gun bazaar as Somali warlords agreed to declare a ceasefire and start disarming their militias of heavy weapons. Page 4

Standard & Poor's, Wall Street credit rating agency, said the slump in credit quality in the US had reached its nadir and was now improving in certain areas. Page 19

Czech and Slovak VAT protests: The introduction of value added tax by the Czech and Slovak republics has provoked a public outcry urging the reinstatement of price controls. Page 2

Clifford charges stand: A judge refused to dismiss a fraud and bribery indictment against Clark Clifford, the former US defence secretary, in connection with the BCCI scandal. Page 5

Carton-board 'cartel' probe: European carton-board makers have 14 weeks to prove they are not operating an illegal cartel, or face fines from the European Commission. Page 2

Braer inquiry launched: An inquiry into the Braer disaster will consider stricter regulation of oil tanker movements off the UK coast after the vessel ran aground in the Shetland Islands last week. Page 6

Japanese claim overstaffing: Many Japanese companies feel overstaffed, raising the possibility that the country's social contract based on lifetime employment could come under strain. Page 16; Miti expects delayed recovery, Page 4

Saks Fifth Avenue: A Saudi prince has become a large investor in Saks Fifth Avenue, the US department store group owned by Investcorp, an Arab-led investment consortium. Page 17

Savimbi denies MPLA claim: Angolan rebel leader Jonas Savimbi denied government claims that he had abandoned his stronghold, Huambo, and insisted that Unita forces continued to fight government troops. Page 4

BSkyB in Viacom link: British Sky Broadcasting and Nickelodeon, the children's channel owned by US media group Viacom, are to produce a children's television channel for the UK. Page 17

STOCK MARKET INDICES

FT-SE 100:	2,773.4	(-25.8)
Yield	4.38	
FT-SE Eurotrack 100	1,069.87	(-10.38)
FT-A All-Share	1,342.90	(-1.0%)
Nikkei	16,580.55	(-45.14)
New York: lunchtime		
Dow Jones Ind Ave	3,261.48	(+9.73)
S&P Composite	430.90	(+1.85)

US LUNCHTIME RATES

Federal Funds:	3%
3-mo Treas Bills: Yld	3.105%
Long Bond	102
Yield	7.451%

LONDON MONEY

3-mo Interbank	7 3/16 %	(7 1/4 %)
Liffe long gilt future:	Mar 99 27/32	(Mar 100 5/8)

NORTH SEA OIL (Argus)

Brent 15-day (Feb)	$17.5	(17.525)

Gold

New York Comex (Jan)	$327.5	(329.2)
London	$327.35	(329.25)

STERLING

New York lunchtime:		
$	1.555	
London:		
$	1.5535	(1.542)
DM	2.5325	(2.525)
FFr	8.61	(8.59)
SFr	2.315	(2.3025)
Y	194.25	(193.25)
£ Index	82.2	(81.8)

DOLLAR

New York lunchtime:		
DM	1.6315	
FFr	5.5405	
SFr	1.4885	
Y	125.085	
London:		
DM	1.6385	(1.6375)
FFr	5.5425	(5.57)
SFr	1.4905	(1.494)
Y	125.65	(125.25)
$ Index	66.4	(66.9)

Tokyo close Y 125.36

Austria	Sch30	Greece	Dr300	Lux	LFr60	Qatar	QR12.00
Bahrain	Din1.250	Hungary	Ft162	Malta	Lm0.60	S.Arabia	SR11
Belgium	BFr60	Iceland	IKr180	Morocco	MDh13	Singapore	S$4.10
Bulgaria	Lw25.00	India	Rs40	Neth	Fl 3.75	Spain	Pta200
Cyprus	C£1.00	Indonesia	Rp3800	Nigeria	Naira20	Sweden	SKr15
Czech	Kcs35	Israel	Shk5.50	Norway	NKr16.00	Switz	SFr3.20
Denmark	DKr15	Italy	L2700	Oman	OR1.50	Syria	S£50.00
Egypt	E£4.50	Jordan	JD1 50	Pakistan	Rs35	Thailand	Bht50
Finland	FM12	Korea	Won 2500	Philippines	Pso45	Tunisia	Din1.250
France	FFr8.50	Kuwait	Fils.600	Poland	Zl 22,000	Turkey	L5000
Germany	DM3.30	Lebanon	US$1.25	Portugal	Es215	UAE	Dh11.00

Latest incursion seen as 'extremely serious'

UN anger as Iraq again crosses Kuwaiti border

By Our Foreign and Political Staff

THE United Nations Security Council was meeting in closed session last night to consider Iraq's latest challenge to the world body, which a spokesman termed "extremely serious".

Iraqi civilians again crossed the disputed border into Kuwait yesterday following the incursion on Sunday during which missiles, weapons and ammunition were seized.

Mr Boutros Boutros Ghali, UN secretary-general, said he hoped there would be a stern response to the border incursion. "We cannot admit this kind of violation and this kind of threat to a member state of the UN, such as Kuwait," he said.

A UN spokesman in Kuwait said about 150 men crossed the border yesterday and dismantled several warehouses. Up to 500 had been involved in the seizure of arms from four weapons bunkers on Sunday.

President Saddam Hussein is also defying the UN by refusing permission for its inspectors to fly into Baghdad to continue their search for weapons of mass destruction.

The US said it viewed the incursions by Iraq very seriously. "This is a continuation of the pattern of Iraq of trying to cheat on their obligations," said Mr Richard Boucher, State Department spokesman. "We are looking for steps that can be taken to ensure that Iraq complies with UN resolutions."

He said the US would wait until the Security Council had met before discussing what further measures might be taken. It has already threatened military action if the Iraqi president again ordered surface to air missiles and radars into the air exclusion zone south of the 32nd parallel.

Mr John Major, UK prime minister, warned that he was "losing patience" with Baghdad. Officials said Mr Major would not rule out a military response to the latest Iraqi violations of the UN ceasefire agreements.

Page 4
■ Saddam pushes UN resolve to the limit

He will discuss the options with senior ministerial colleagues this morning. But UK officials played down suggestions of imminent strikes against Iraqi forces, stressing that any action would be agreed first at the UN.

Iraq yesterday continued its public defiance with Mr Ali Hassan al-Majeed, defence minister, insisting that Baghdad would free itself from the no-fly zones in the north and south of the country. He pledged that national sovereignty would be fully reclaimed and US military aggression defeated.

Diplomats in New York said the Security Council was expected to issue a formal condemnation of Iraq's failure to honour commitments to the UN, but it was unclear whether there would be any ultimatum or threat of enforcement measures.

A UN spokesman indicated that Iraq's main offence was failing to notify the UN before sending a team into Kuwaiti territory to retrieve material. He was unable to say whether the weapons included some that should have been destroyed or dismantled under UN supervision under the terms of the ceasefire.

The border area around the former Iraqi naval base at Umm Qasr, which the Iraqi team entered, was redefined by a boundary demarcation completed by a special UN commission. Baghdad had asked to be allowed to retrieve material belonging to Iraq from the area which will revert to Kuwait.

The UN spokesman said that in the summer of 1991, in consultation with Iraqi and Kuwaiti authorities, the UN Iraq-Kuwait Observer Mission (Unikom) made arrangements for the retrieval of property from the base but was to be consulted about removal.

This procedure was adopted to allow UN monitoring of the removal and "to prevent friction" as the base is within 1,000 metres of the boundary. The arrangement also allowed Unikom, co-operating with the UN official co-ordinating the return of property from Iraq to Kuwait, to satisfy itself about the ownership of items involved.

"Since the demarcation of the land boundary between Iraq was nearly complete, Unikom informed the Iraqi authorities on December 24 that the retrieval of items from those parts of the naval base which the demarcation places on the Kuwaiti side of the boundary will have to come to an end and it requested that all such activity cease by January 15," the spokesman said.

The Iraqis had accepted this and explained that the weekend activity there was "due to their desire to meet the deadline".

German chancellor Helmut Kohl (right) with UN secretary-general Boutros Boutros Ghali in Bonn yesterday at the start of a two-day official visit to Germany. Mr Boutros Ghali said money was no substitute for Germany's limited involvement in the UN

UN urges fuller German military role, Page 16

Bosnia peace hopes grow after Karadzic concessions

By Robert Mauthner in Geneva

MR Radovan Karadzic, the Bosnian Serb leader, yesterday made his first substantial concessions in the Geneva peace talks, raising hopes that agreements on a future constitution for Bosnia-Hercegovina and a halt to fighting may be reached in the next few days.

But as Mr Slobodan Milosevic, the Serbian president, joined the talks, officials warned it was still unclear whether the Bosnian Serbs would accept the international mediators' most vital conditions for an agreement.

Although Mr Karadzic said in a radio interview that the Bosnian Serbs were prepared to sign an agreement that they would not secede from a future state of Bosnia-Hercegovina, he maintained his demand that the Serbian parts of the country should be allowed to forge their own international relations.

The international mediators, Mr Cyrus Vance and Lord Owen, have proposed the creation of an independent, sovereign Bosnia-Hercegovina, divided into 10 semi-autonomous provinces, which would not, however, have the power to decide on their own international relations. Specifically, the mediators have rejected Mr Karadzic's demands for "a state within a state", which could later join a greater Serbia.

Yesterday, Mr Karadzic, who has proved to be a master of imprecision and contradiction when it comes to translating his political demands into the language of international law, said: "We don't demand a state within a state, in the proper sense of the word. What we can't give up is our identity and personality within Bosnia-Hercegovina."

As an example of the kind of status he wanted the Bosnian

Continued on Page 16
France tones down threat; Agreement on constitution vital, Page 2

Clinton's deficit controls may fall short of pledges

By Michael Prowse in Washington

THE CLINTON administration's budget deficit reduction goal might fall short of the targets set during the election campaign, Mr Leon Panetta, the budget director-designate, hinted yesterday.

Mr Panetta told a Senate confirmation hearing that the administration would set a credible and enforceable deficit goal.

An important requirement was to stabilise the federal debt as a proportion of gross domestic product and then try to get the ratio moving down again, he said. Such a formula would be an easier target than the goal of halving the deficit over four years that President-elect Bill Clinton set during the campaign.

The ratio of debt to GDP is about 50 per cent, having doubled during 12 years of Republican presidential rule.

Mr Panetta also signalled that Mr Clinton would not back away from plans to increase federal investment. "We have to achieve multi-year deficit reduction that is real and make targetted investments in areas such healthcare, education and infrastructure."

He said Mr Clinton had not yet made any final budget decisions. A short-term stimulus to accelerate the recovery was still under consideration. The pace of deficit reduction would be depend on a judgment of the economy's strength and it might not be wise to do too much "up front".

Mr Panetta indicated that tax cuts for middle income families – another Clinton campaign pledge – were a low priority. The administration wanted to create a more progressive tax system but the immediate task was to make the "very difficult choices" needed to control the deficit while also addressing the nation's "investment deficit".

He told members of the Senate government affairs committee that all areas of the budget would be scrutinised for savings, but refused to make specific pledges. Mr Clinton would present an economic plan to the nation next month, with a full-scale budget in mid-March.

Health care costs were "increasing dramatically", Mr Panetta warned, and if unchecked would push the deficit towards $500bn by the start of the next century. But the imposition of "arbitrary caps" on federal entitlement programmes would not solve the problems of exploding costs, he said. A comprehensive reform of the health care system was required.

Mr Panetta defended the controversial 1990 budget accord which he helped negotiate and said its failure to reduce the deficit reflected the economy's weakness, which had led to a big shortfall of revenue. However, he conceded that it had not properly curbed entitlement spending.

Mr Panetta pledged to improve the efficiency and credibility of government agencies if he is confirmed as director of the office of management and budget.

Ross Perot returns, Page 5

Grupo Torras to sell stake in food group

By Tom Burns in Madrid

GRUPO TORRAS, the Kuwait Investment Office's troubled Spanish investment arm, has put its controlling 36 per cent stake in Ebro, the profitable domestic food company, up for sale.

Ebro was a successful part of the KIO's Spanish portfolio which includes holdings in chemicals, paper, property and financial services. The sale forms part of the KIO's plan to drastically reduce involvement in Spain. The KIO last month put Torras into receivership with losses of $4bn.

Government officials confirmed yesterday that Torras had awarded Credit Suisse First Boston the mandate to sell the holding in Ebro which could raise more than $340m.

The company, which closed its financial year in September with estimated net profits of $54m and a $96m positive cashflow, has 54 per cent of the domestic sugar market and is the biggest rice producer in Europe.

Torras is unlikely to net more than half the estimated sale price of the stake as nearly all its equity in Ebro is pledged to creditor banks.

The Spanish bank, Banco Bilbao Vizcaya, has outstanding loans of $22m to Torras guaranteed by some 5 per cent of Ebro stock, Bank of America's Ebro-pledged loans to the holding company are believed to total more than $86m and Chase Manhattan and Sumitomo also hold

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France tones down its Bosnia camps threat

By William Dawkins in Paris

FRANCE yesterday moderated its threat to use force to liberate Bosnian prisoner camps single-handed, but reserved the right to do so as a last resort if the United Nations failed to sanction international action.

Mr Bernard Kouchner, health and humanitarian affairs minister, will shortly lead a delegation to Bosnia-Hercegovina to examine camps there and report back to the UN to demand a mandate to use force, said an official of the Elysée Palace. He will also negotiate the liberation of prisoners where possible.

The government fully accepted there is for the moment no UN mandate to use force to back up the French-inspired UN resolution voted last month – number 798 – which demands the closure of the detention camps, said the official. The UN Security Council would have to vote a new resolution if force was to be used to free the prisoners.

President François Mitterrand, who under the French constitution is head of the army, would prefer to act with a UN mandate, but did not exclude acting independently, she said. France was seeking a UN decision within days and felt the plight of prisoners was so serious that action should be taken independently of the deadlocked Geneva peace talks, said the official.

Britain will today consider reinforcing its 2,400 troops in Bosnia to coincide with the expected introduction of a UN-backed no-fly zone, Philip Stephens reports from London. Prime Minister John Major will meet cabinet colleagues to discuss options to strengthen the forces' security.

Officials said options included heavier equipment for ground forces, and sending the aircraft carrier Ark Royal to the Adriatic.

The move is likely to go down well in France, just as the government is seeking ways of reducing the defeat it faces in the March elections. The civil war receives detailed coverage in the French media, for which human rights are a constant theme.

However, Mr Boutros Boutros Ghali, UN secretary-general, yesterday said he did not believe France would unilaterally intervene in Bosnia-Hercegovina, and clearly hinted it would undermine the UN's peace efforts.

"I was in Paris just a few days ago. I don't believe that France intends to undermine the role of the UN, or the Geneva peace conference," he said in Bonn on the first of his two-day visit to Germany.

Meanwhile, the Bosnian Serb leader, Mr Radovan Karadzic, yesterday denounced the French proposal as an "election stunt". Mr Karadzic also criticised the role of the French commander of UN forces in Bosnia, Gen Philippe Morillon, who French Foreign Minister Roland Dumas said had briefed him on whether the military means existed for such a plan.

The Bosnian government yesterday said it had requested the replacement of Gen Morillon, and the Sarajevo commander, Egyptian General Hussein Abdel Razek. Bosnia had previously said it had lost confidence in Gen Morillon and his staff, following last Friday's assassination of deputy prime minister Hakija Turajlic while under UN protection.

A Moslem woman refugee from Sarajevo makes her way past Danish members of the UN protection force in the town of Kisajak

German call to cut public spending

By David Waller in Frankfurt

GERMANY must act quickly to cut public spending or risk even greater strains on the economy, a leading member of the Bundesbank policy-making council warned yesterday.

The necessary cuts would be hard to implement, given that the German people had become used to ever-increasing public spending, Mr Otmar Issing, the Bundesbank's chief economist, told industrialists in Würzburg. But cuts were essential in view of German reunification costs and the size of public-sector debt. Postponement would add to the economic costs of measures which were ultimately unavoidable.

His comments come as the government is engaged in talks with unions and employers over a "solidarity pact" designed to help Germany overcome the current downturn. Within the next few week it must also find DM13bn ($8.1bn) spending cuts as part of a supplementary budget.

Analysts said Mr Issing's speech was designed to show further, significant interest rate cuts were not a foregone conclusion after last week's 15 basis-point cut in short-term money market rates.

The persistence of inflation meant more demands were being made on the German economy than it could meet, Mr Issing added. Wage costs had risen out of line with productivity. The 9.5 per cent rise in unit labour costs over the past two years had left an unmistakable mark on prices.

Speaking at the same conference in Würzburg, Mr Theo Waigel, German finance minister, said that spending cuts by central and local government were essential in view of the difficulties facing the German economy.

Agreement on constitution is vital to settling the crisis

By Robert Mauthner in Geneva

A POLITICAL settlement of the Bosnian crisis now hinges very largely on the capacity of the three warring factions to agree on a constitution for Bosnia-Hercegovina. Though disagreements on other aspects – such as the precise frontiers of the provinces or constituent parts into which the country is to be divided, and the conditions for a cessation of hostilities – are still deep, it is generally accepted that these would be easier to solve once a constitutional accord was reached.

In spite of participants' statements to the contrary, there can hardly be doubt that progress has been made since the two co-chairmen of the Geneva conference on the former Yugoslavia achieved their minor miracle this month in persuading all the warring factions to sit down at the same negotiating table. That feat was capped by Mr Cyrus Vance and Lord Owen in gaining the acceptance of the three parties – the Bosnian Moslems, Serbs and Croats – for their constitutional and military plans as the framework and basis of the negotiations.

The linchpin of the 10-point Vance-Owen constitutional plan is its first two principles: that Bosnia and Hercegovina shall be a decentralised state, with most governmental functions carried out by the 10 provinces into which it will be divided; and that the provinces shall not have any international legal personality and may not enter into agreements with foreign states or international organisations.

Those principles, endorsed by the Bosnian Moslems and Croats, have so far been rejected by the Bosnian Serbs, who rightly believe the plan would end their dreams of becoming part of a Greater Serbia.

Anxious not to be blamed for a breakdown of the talks and to present himself as a constructive participant in the peace process, Mr Radovan Karadzic, the Bosnian Serb leader, has put forward his own eight-point constitutional plan, a cleverly-worded document which, at first sight, has many similarities with the Vance-Owen proposals.

It is clear, however, that the Serbian principles do not explicitly endorse the creation of an independent and sovereign state of Bosnia-Hercegovina, nor its division into 10 separate provinces.

Instead, Mr Karadzic has proposed "a composite state", made up of "three constituent peoples as its three constituent units", a definition which would permit the Bosnian Serbs to set up their own state within Bosnia-Hercegovina, as a first step, and ultimately to merge with Serbia proper.

A good part of yesterday was spent in bilateral negotiations aimed at finding common ground between the two constitutional plans.

One thing is clear, however. Conscious of the fact that they are acting under a mandate from the UN and EC, Mr Vance and Lord Owen insist they will never agree to a solution which does not provide for a sovereign Bosnia-Hercegovina, whose territorial integrity is guaranteed and whose constituent parts will not be allowed to join another state.

Whether Serbian President Slobodan Milosevic, in Geneva to participate in the talks, will want, or be able, to pressure Mr Karadzic to bridge the gap between the two positions is the great question.

Carton-board 'cartel' check

By Andrew Hill in Brussels

EUROPEAN carton-board makers have been given 14 weeks to respond to allegations they are operating an illegal cartel, or face fines from the European Commission.

Industry officials said yesterday they received letters from the Commission last week detailing its objections to alleged price-fixing, and setting a deadline for replies.

The Commission raided 15 companies across the EC in April 1991, after the British Printing Industries Federation (BPIF) complained the manufactnrers had co-ordinated price rises across Europe. All the main EC producers were involved in the original inquiry, including subsidiaries and sales agents for non-EC companies in Sweden, Austria and Canada.

Officials said they believed the Commission had since narrowed its inquiry, but declined to give details. The Commission refused to comment. It is allowed to levy fines of up to 10 per cent of turnover on companies involved in price-fixing, but these are usually reduced if the groups have ended anti-competitive practices.

Carton board is high-quality card used in packaging cosmetics, food and other products. The BPIF, members of which print directly on to carton board, said yesterday it had not been in contact with the Commission since lodging the complaint two years ago, and had not spotted any further instances of alleged co-ordinated price rises since 1991.

The Commission is pursuing an alleged cartel of 76 cement makers and associations. A number of the companies and federations failed just before Christmas to gain more information about the Commission's objections to the alleged cartel.

Commission officials claim the cement companies were trying to delay a final decision in the case, which may come later this year.

Minority government in Stockholm seeks to save another $1.7bn

Sweden plans more spending cuts

By Christopher Brown-Humes in Stockholm

SWEDEN'S minority coalition government yesterday proposed a further SKr12bn ($1.7bn) in spending cuts for 1993-1994 and outlined an ambitious programme to eliminate the country's structural budget deficit by 1998.

The measures, contained in the budget for the year beginning July 1, bring total savings for 1993-1994 to SKr17bn and mean the government has announced cnts of SKr85bn since the start of 1992.

Nevertheless, the government still expects a budget deficit of SKr162.3bn next year, which is 11.2 per cent of GDP and only SKr36bn less than this year's SKr198.3bn. It hopes that a combination of more cuts, restricted public consumption, and economic growth will remove the structural part of this by 1998, leaving a remaining deficit of less than SKr40bn.

Government critics suggest the calculations may prove too optimistic, with the country still in recession, unemployment rising and a continuing crisis in the banking sector. In addition, a forecast that GNP will grow by 3.2 per cent a year between 1995-1998 may prove hard to meet.

But Ms Anne Wibble, finance minister, said Sweden was poised to emerge from recession, with an export-led recovery starting to take effect next year, when GDP is predicted to rise by 1.6 per cent.

She said next year's budget did include a provision for supporting the banking system. However, she declined to quantify the amount for fear of jeopardising the government's negotiating position. She also declined to say when Sweden might return to a fixed exchange rate following the krona's enforced decoupling from the Ecu in November.

The measures need to be supported by either the Social Democrats or the right-wing New Democracy party to get through parliament, and both parties were critical of the proposals yesterday. Mr Ingvar Carlsson, the Social Democrat leader, called the budget a "catastrophe". This helped to unnerve the markets, even though the hudget's contents were broadly in line with expectations. The bourse ended down 0.6 per cent.

See Lex, page 16

Yeltsin puts allies in powerful positions

By Leyla Boulton in Moscow

MR Boris Yeltsin, the Russian president, has appointed a liberal to head the former Soviet television network and an official from the Gasprom gas monopoly as the government's chief of staff.

The chief of staff is considered more powerful than any minister, including the numerous deputy prime ministers remaining in office from the previous government of Mr Yegor Gaidar.

The former Gasprom official, Mr Vladimir Kvasov, replaces Mr Alexei Golovkov, a technocrat who took over the job a year ago.

The appointment of Mr Vyacheslav Bragin, the head of the Russian parliament's media committee, to run the Ostankino television network, following Mr Yeltsin's summary sacking of its previous director, is intended to reassure liberal opinion in tha country.

The appointments are part of a reshuffle in which Mr Yeltsin is trying to balance forces favourable to himself following his confrontation with the conservative Russian parliament and his reluctant appointment of Mr Viktor Chernomyrdin as prime minister.

But Mr Yelisin'a transfer of his allies in parliament to senior government posts means that he now has very few senior friends left in parliament itself, which is under the control of his most dangerous political rival, Mr Ruslan Khashulatov.

Austrian right in row over foreigners

By Eric Frey in Vienna

MR Jörg Haider, leader of Austria's right-wing Freedom party (FPO), has launched a controversial anti-foreigner initiative with a harsh attack on the country's political astablishment.

In a weekend speech in Graz, capital of tha province of Styria, Mr Haider attacked the broad coalition of politicians, church leaders, journalists, intellectuals and artists formed in recent weeks to thwart his drive for an anti-foreigner petition.

Austrian voters will be able to sign the petition, which calls for stricter immigration laws and other measures directed against foreigners, in the week beginning January 23.

Mr Haider is counting on as many as 1m signatures, about a fifth of Austria's electorate. But all the other main political parties, as well as the Austrian president, Mr Thomas Klestil, have appealed to the voters to ignore the petition, which they say is designed to incite hatred against immigrants.

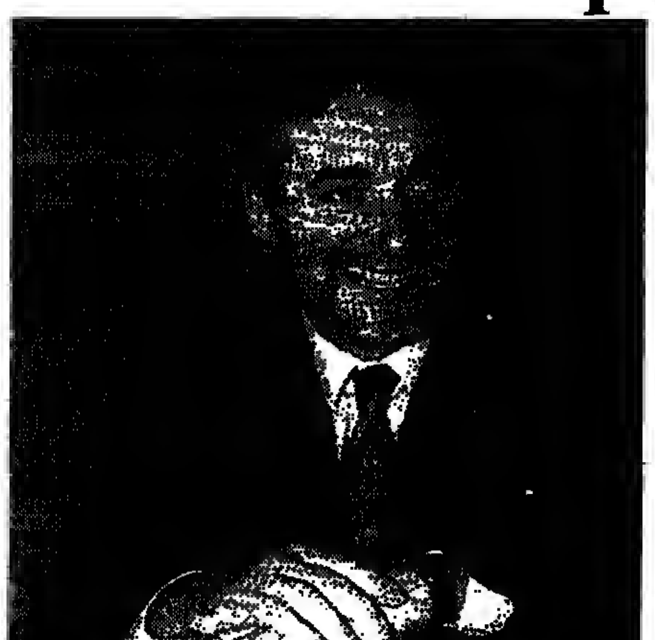
A hroad anti-Haider platform, "SOS Neighhour", has attracted wide support and is planning a demonstration against xenophobia to coincide with the start of Mr Haider's petition-signing week.

The strongest opposition to the right-wing initiative has come from the Roman Catholic church.

Last Sunday, leaflets calling for tolerance and ethnic harmony were distributed to church-goers across Austria.

The petition's success is seen as a test of Mr Haider's appeal. Less than 500,000 signatures would be a big setback.

Irish coalition prepares for a short honeymoon



Ahern: is expected to retain his post at the Finance Ministry

By Tim Coone in Duhlin

THE coalition government which takes office in Ireland today can hope to enjoy only the briefest of honeymoon periods.

The first Fianna Fail-Labour party coalition in the history of the state, it has set itself the immediate task of reversing the npward trend in unemployment figures, which indicate that almost one in five of the workforce are now without a joh.

How it sets about that task, with interest rates at record high levels, the punt coming under daily pressure in the foreign exchange markets, and one of the toughest budgets in years having to be prepared over coming weeks, is likely to lead to some thorough soul-searching within both parties and tough negotiations at the cabinet table.

Whan the cahinet is announced later today, the government purse strings are expected to remain in the hands of Mr Bertie Ahern, the current finance minister. His commitment to the hudgetary discipline laid ont in the Maastricht treaty, necessary to keep Ireland in the fast track to monetary union within the EC, is heing supported hy the Labour party, as is his commitment to a "no-devaluation" policy and to keeping the punt within the narrow band of the ERM.

This implies an exchequer borrowing requirement capped in the region of 3 per cent of GDP, and the government deht/GDP ratio being reduced gradually to 60 per cent hy 1999, from its present level of 94 per cent.

The question of agreeing on ministerial spending targets within the hroader budget framework, however, has still to be resolved.

The joint programme of government, painstakingly negotiated over the past six weeks, contains commitments to create 30,000 jobs a year, to take the low-paid out of the tax net, to maintain social welfare spending at current levels, to initiate a new puhlic housing programme and to make new investments in health, education and public transport.

The programme also aims to put new government equity into the state airline, Aer Lingus, and to provide subsidies to mortgage holders and employers who are suffering from high interest rates.

But tbe tentative figures pencilled in during the recent negotiations may have to be drastically revised, if one of the consequences of continuing to hold the line against devaluation is that commercial interest rates undergo a sharp rise this week.

Banks and huilding societies have recently been sounding warnings that they can no longer cushion retail customers from the present wholesale money market rates.

One-week funds are at present incurring interest rates in the region of 100 per cent.

The most likely response of the new government would be to put in place a series of temporary interest rate subsidies. At the same time it may mount a diplomatic offensive around the EC to secure a commitment by the stronger EC central banks to sustain the punt at its present parity within the ERM.

Encouragement bas been drawn from the strengthening of the dollar and sterling in recent weeks, and the Bundesbank's reduction of its repurchase rate last week, which is being viewed as an indication that German interest rates as a whole might start coming down in the weeks ahead, thereby easing pressure in the ERM as a whole.

If that scenario does not come about, however, Ireland's first Fianna Fail-Labour coalition is going to face some very tough and politically unpopnlar decisions.

Czech and Slovak protests at VAT's impact

By Patrick Blum in Prague

THE introduction of valne added tax by the Czech and Slovak republics at the start of the year has caused confusiou and unexpectedly high price increases. A public outcry may force the Czech and Slovak governments to reintrodnce price controls.

The Czech government will review the results of VAT introduction this week and the Slovak anthorities say they may reimposa price controls on food.

In the Czech Republic, prices have risen by an average of 20 per cent overnight, though in some cases individual items in local shops have increased hy considerahly more. A pensioner living on the outskirts of Prague said her local shop imposed a three-fold increase in the cheapest type of hread.

The press has criticised both shopkeepers and the government, and trade unions have threatened to strike unless the government takes action to reverse the recent price rises.

Many shops were closed in Prague last week as managers adjusted prices in lina with the new VAT rates, wnich range from 6 per cent, for services and basic foods, to 23 per cent for other goods. But lack of information about the tax and how to implement it, and the temptation for shopkeepers to raise margins, caused mnch larger increases than expected.

Many shop managers appear simply to have added the new VAT rate to the old prices, which inclnded the now abolished purchase tax, therahy donhling the tax. VAT is expected to raise prices on a wide range of goods, including food, electrical appliances, coustruction materials, and services. The price of other products should fall, especially those such as coffee, cosmetics, some clothing and jewellery, which were formerly taxed at 40 per cent as luxury goods.

The prime minister, Mr Vaclav Klaus, said last week ha would not reintrodnce price controls, and government officials called on people not to buy products which had heen excessively marked np. One newspaper said this was like asking people not to eat, and called for urgent government action. Lidove Novlny, a Prague daily, blamed the government for failing to break up key monopolies which it said were responsihle for the price rises.

Officials now admit the possihility of reintroducing some price controls if prices do not come back down.

Shopkeepers argue many shops will go bankrupt if they are forced to rednce prices. They say rising wholesale prices, rent and running costs in city centres are ontstripping earnings. VAT was introduced simnltaneonsly in Slovakia, hnt husinessmen say there are discrepancies on how the rates are applied in the two countries of the former Czechoslovak state. They also complain procedures have become more cnmbersome now there is a border between the two countries.

Confusion ahont new customs regulations are causing delays at borders. "There's no customs union and you have to go through the same procedures as if yon were importing from Germany," says one maoager of a large foreign company. For example, he says, VAT must be paid in Slovakia on goods prodnced there, to be claimed back at the Slovak border, then paid again on the Czech side, and cleared through Prague.

Thousands of Slovaks, confused over the fate of their money, staged a rush on banks yesterday to get rid of Czechoslovak banknotes, Renter reports from Bratislava. In an nnusual response to monetary uncertainty, Slovaks queued for up to three hours at banks in Brstislava – not to withdraw cash but to deposit it. Others changed crowns into western currency.

Behind the rush to the banks, officials said, were fears that banknotes issued hy the defunct Czechoslovak federation might be worthless or be difficult to convert once a currency union agreed hy tha Czech and Slovak republics collapees.

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NEWS: WORLD TRADE

US motor giants seek Japan curb

By Kevin Done, Motor Industry Correspondent, in Detroit

Chrysler chief Robert Eaton: send a signal to Tokyo

THE US motor industry wants a 25 per cent tariff imposed on two categories of imported vehicles in an attempt to intenaify pressure on Japao to reduce its $33bn automotive trade surplus with tbe US.

The US already imposes a 25 per ceot tariff oo imported trucks, and tbe big three US motor companies – General Motors, Ford and Chryaler – are seeking to extend this tariff to multi-purpose vehicles or "people carriers", such as the Toyota Previa and the VW Eurovan, and to four-door leisure/utility vehicles, such as the Mitsubishi Pajero and the Range Rover.

The chief executives of the three US companies met President-elect Bill Clinton last week during which they discussed tbe automotive trade deficit, which accounts for two-thirds of tbe total US trade deficit witb Japan.

Mr Robert Eaton, chairman of Chrysler, told the Automotive News World Congress that "tbe first economic act" of the new administration should be extension of the truck tariff.

This would "send an important signal to Tokyo" and could be "the first step towards a realistic new trade agreement hetween the US and Japan", he said.

Extending tbe 25 per cent tariff to MPVa and four-door leisure/utility vehicles would be aimed at Japanese imports, but there is concern at both Rover, the UK vehicle-maker, and at Volkswagen of Germany, that their vehicles in these categories could also be bit. Rover exports its Range Rover and Land Rover Defender leisure/utility vehicles to the US, while VW sells its Eurovan MPV.

Land Rover increased its sales in the US by 28 per cent last year to 4,234 from 3,309 a year earlier, while VW sold 2,679 of its Eurovan/Vanagon ranges.

Any extension of the US tariff to four-door leisure/utility vehicles would pose severe problems for Rover's plan to launch its Land Rover Discovery vehicle in the US, a move it was expected to make next year.

Imposition of the tariff would require a reclassification of MPVs and four-door leisure/utilities as trucks in place of their present status as cars. There is only a 2.5 per cent dnty on cars imported to the US. Japan bas removed all import tariffs on motor vehicles, although US car-makers consider that there are very stiff non-tariff barriers to trade with Japan, while tbe European Community imposes a 10 per cent duty on car imports.

EC, US go for broke on tariff reductions

Negotiators zero in on stumbling block to Uruguay Round, writes Frances Williams

THE reduction of tariffs and other barriers to imports of goods – a traditional focus of international trade talks – has now become the key to success or failure of the six-year-old Uruguay Round.

Agreement between the US and the European Community on a tariff-cutting package is needed to provide the framework for duty rednctions hy other participants in the 108-nation Round. But negotiators believe progress in this area could also induce Washington to soften its demaods elsewhere in the negotiations, especially regarding anti-dumping and anti-subsidy actions, in the interests of a speedy settlement.

The race is on for at least the broad outlines of a Uruguay Round accord before US President-elect Bill Clinton takes office on January 20.

His untried and inexperienced trade policy team will oot be in a position to conclude the necessary agreements before the US administration's negotiating authority expires on March 2, thereby setting back the timetable for the talks yet again.

However, trade officials in Geneva admit they face an uphill struggle to secure a framework tariff deal by Friday, when senior trade negotiators meet to review progress in the Round. This is partly because the tariff negotiations are enormously complex as they involve changes in tariffs on thousands of individual items.

The main reason that the US-EC discussions on industrial tariffs bave made sucb little progress over the past two years is because the two aides differ fundamentally in tbeir approach to and implemeotatioo of tariff-cutting.

Washingtoo wants to achieve the Uruguay Round target of a one-third cut in tariffs mainly by a selective lowering of duties, including a number of sectors in which the major traders would agree to reciprocal duty-free access.

The US zero-for-zero list covers pharmaceuticals, construction machinery and medical equipment, to which the EC has agreed aloog with harmonisation at low levels of duties on chemicals.

There is also agreement in principle to phase out tariffs oo steel, though the US is making this conditional on reaching a still-contentious multilateral steel agreement that would also eliminate most state subsidies for steel producers.

However, Washington is having little success in persuading the EC to go along with zero-for-zero agreements for paper and wood products, non-ferrous metals, electronics, fish and alcoholic drinks.

The revised US tariff offer preseoted to trading partners last Friday amounts to cuts averaging just over one-third – but this includes zero-for-zero deals the EC and others have not agreed.

The EC dislikes this sectoral approach to tariff cutting, stating that it contradicts the essence of trade bargaining – the trade-off between concessions in one area against gains in another.

"Zero-for-zero deals are unbalanced by definition," says one senior EC negotiator, because tbe sectors put forward are always the ones whicb most benefit the demander.

The EC wanted the negotiations to adopt a formula approach, in which all tariffs would be reduced but high ones would come down more steeply than low tariffs.

This would bave greatly simplified the talks, but the US refused to accept a formula, largely because it does not want programmed cuts in very high tariffs on textiles and other sensitive goods.

These "tariff peaks", which for textiles range up to 36 per cent, have beeo a principal target of EC oegotiators, who bave offered barmonised tariffs on textiles with a maximum duty of 12 per cent.

US officials argue that they are prepared to cut high tariffs on textiles, ceramics, footwear, glass and dyestuffs, provided they have a satisfactory zero-for-zero package.

However, the EC says it is not prepared to concede more zero-for-zero deals unless Washington puts its "tariff peak" cards on the table.

Even theo, Brussels could face problems in agreeing, say, duty-free entry for electronics goods, where the EC's 14 per cent tariff on semiconductors belps protect what remains of a European chip manufacturing presence from American and Asian competition.

When the US and EC settled their farm trade spat at the end of November, they also agreed to aim for a "maximum package" of tariff cuts going well beyond the one-third Uruguay Round target. Now that target, while achievable, is probably the maximum on offer.

And even if Wasbington and Brussels reach a market access agreement between themselves, the Uruguay Round cannot end until all participants have drawn up tariff schedules.

Tbough concessions swapped between the two biggest traders are automatically generalised through the operation of the Most-Favoured-Nation clause of the General Agreement on Tariffs and Trade (requiring Gatt members to offer all countries tbe most favourable trade terms available), there are many goods tbey do not trade between themselves.

Thus, if the US cuts tariff peaks on textile products of interest to the EC, it need not offer similar cuts on textile products whicb matter to third world ezporters.

Developing couotries, which are themselves under pressure to cut their generally higher tariffs, say the results of the market access oegotiations will be decisive in determining whether the overall Uruguay Round accord is acceptable.

See Editorial comment

Tariff negotiators from some 20 countries involved in the Uruguay round of global trade talks met yesterday to take stock of progress towards a tariff accord, following inconclusive US-EC talks over the weekend, writes Frances Williams.

"It's hard to be optimistic – we just doo't seem to be making progress," said an EC official after the meeting in Geneva which reviewed the electronics, chemicals, pharmaceuticals and textiles sectors.

The EC claims the US offer to cut high textiles tariffs, a critical area for many developing countries as well as the Community, is "absolutely minimal". Among its demands, the US wants Brussels to agree to eliminate tariffs on electronics goods, which it has so far refused to do.

Mr Arthur Dunkel, director-general of the General Agreement on Tariffs and Trade, was dne to meet senior negotiators from a few key countries last night to assess prospects for a rapid cooclusion of the round.

Tokyo trader buys India yarn stake

By Kunal Bose in Calcutta

ITOCHU, the Japanese trading house which buys cotton yarn from India, has decided to participate in the equity of Patspln India. The company, based in the southern state of Kerala, makes cotton yarn for export only.

Itochn will be nominating a director on the Patspin board. Mr BK Patodia, director of Patspin, said Itochn would buy 11 per cent equity of Patspin for $1m (£600,000).

Tbe Japanese company has undertaken to hny most of Patspin's yarn production for overseas distribution. Kerala's state government is also taking 12 per cent of the company's equity.

The Patspin plant, with a capacity of 26,208 spindles, will start production in July. Mr Patodia said company plans loclnded prodncing higher valne added knitting yarns and dyeing of yarns, but these had to be approved by Itochu.

The Patodias own two other yarn mannfacturing companies, GTN Textiles and Perfect Splnners. They have a long-standing husiness relationship with Itochu.

OECD Export Credit Rates

THE Organisation for Economic Co-operation and Development (OECD) announced new minimum interest rates (%) for officially-supported export credits for Jan 15-Feb 14 (Dec 15-Jan 14 in brackets)

D-MARK	7.97	(8.18)
ECU	9.00	(9.18)
FRENCH FRANC	9.44	(9.33)
GUILDER up to 5 years	8.05	(8.30)
5-8.5 years	8.10	(8.30)
more than 8.5 years	8.35	(8.45)
ITALIAN LIRA	13.31	(13.16)
YEN	5.30	(same)
PESETA	13.99	(14.02)
STERLING	8.30	(8.10)
SWISS FRANC	6.78	(7.18)
US DOLLAR for credits up to five years	6.21	(6.14)
5-8.5 years	7.08	(7.04)
for credits of over 8.5 years	7.46	(7.49)

These rates are published monthly by the Financial Times, normally around the middle of each month. A premium of 0.2 per cent is to be added to the credit rates when fixing at bid. Interest rates may not be fixed for longer than 120 days. SDR-based rates of interest are the same for all currencies. For the period from Jan 15 through July 14 1993, the SDR-based rate will be 7.55 per cent. It replaces the previous rate of 8.10 per cent. The SDR-based rate will again be subject to change on July 15.

Indonesia urges Japan to cut tariffs

JAPAN'S prime minister, Mr Kiichi Miyazawa, arrived in Jakarta yesterday on the first leg of a sonth-east Asian tour and was immediately urged to open np his country's economy, Reuter reports from Jakarta.

An editorial in the Jakarta Post daily yesterday called for stronger Japanese asaurances hacked by actioo to remove tarriff barriers.

President Suharto was expected to raise the issue of high tariffs on Indonesian plywood, one of the country's higgest exports, in formal talks with Mr Miyazawa today.

Japanese officials in Tokyo said Mr Miyazawa would stress the importance of a continuing US military presence in the region in his talks in Indonesia, Malaysia, Thailand and Brunei.

This would be the thrust of a keynote speecb Mr Miyazawa would make in Bangkok on Saturday, they said.

● SANYO Electric, the Japanese consumar electronics company, yesterday announced a $27m (£17.7m) joint venture to manufacture refrigerator compressors in Indonesia, Robert Thomson writes from Tokyo.

The announcement coincided yesterday with the arrival in Jakarta of Mr Miyazawa, who will encourage the indonesia government to maintain a stable economy to ensure a steady flow of investment.

Sanyo will provide 90 per cent of the capital for P.T. Sanyo Compressor Indonesia, to be based in West Java. The remaining 10 per cent will be held by two local private investors.

"We will establish this company in response to growing worldwide demand for small-sized reciprocating compressors," Sanyo said. "Indonesia is a large market, and the labour resources are excellent so we decided the build the new factory here."

Prodnction is expected to begin in June next year, with initial annual production of 400,000 units, rising to 1.2m units over 5 years. The new company will eventually have about 440 employees.

Sanyo already has compressor plants in Thailand, Singapore, and Taiwan, and three subsidiaries in Indonesia manufacture televisions, batteries, and electronic components.

Miti expects recovery to be delayed

By Charles Leadbeater in Tokyo

MR Noboru Hatakeyama, vice-minister at the Ministry of International Trade and Industry (Miti), said yesterday the Japanese economy would begin to recover in the autumn at the earliest as official figures showed that deep cuts in industrial investment are continuing unabated.

Machine tool orders last November were 29.8 per cent down on the same month in 1991, with orders from the automobile industry down 43.8 per cent, according to the Machine Tool Builders' Association.

Orders for general industrial machinery last November were 39.4 per cent below the same month in 1991, with exports down 84 per cent, according to the Society of Industrial Machinery Manufacturers.

Mr Hatakeyama said Japanese industry had divided into three groups in the past five months: industries such as cars, semiconductors and home appliances in which shipments were down by about 10 per cent; video recorders, computers and air conditioners where shipments were 20 per cent down; and those such as machine tools where the falls had reached about 40 per cent.

He disclosed that, over the past four months, 75 industries had applied for government subsidies to help them cover the cost of retraining or transferring laid-off workers at about 80,000 factories.

This is still well short of the level of subsidies reached during the downturn in the mid-1980s caused by the appreciation of the yen, when 161 industries were given employment subsidies.

Mr Hatakeyama would not be drawn on whether the economy would need an additional fiscal stimulus to recover. However, he noted that the recently agreed budget for 1993, which provides for a meagre 0.2 per cent increase in overall public spending, was far less stimulatory than the original budget for 1992 combined with the Y10,700bn (£57bn) emergency package announced last August.

Private sector economists believe it is almost certain there will be another supplementary budget later this year as well as measures to front-load public spending by bringing forward commitments from the second half of the year.

Mr Gaishi Hiraiwa, chairman of the powerful Keidanren, the Federation of Economic Organisations, stepped up employer pressure on the government to take further measures by calling for another emergency package, combining tax and interest rate cuts, if the economy fails to revive by the end of March.

Saddam pushes UN resolve to the limit

PRESIDENT Saddam Hussein's recent actions suggest that he is moving from the merely provocative to the almost reckless in his challenges to the United Nations and the US-led Gulf war alliance.

He has chosen to test the resolve of the UN in three ways. First, by sending aircraft and surface-to-air missiles into the exclusion zone south of the 32nd parallel. Second, by refusing to allow UN inspectors to fly into Baghdad to continue their search for weapons of mass destruction. And third, by sending hundreds of Iraqis across the newly demarcated border with Kuwait to carry off missiles, weapons and other equipment.

Any one of these actions could be taken as a sufficiently serious breach of the post-Gulf war UN resolutions to warrant a military response. Taken together the three provocations indicate that the Iraqi leader is prepared to withstand air strikes by the American, British and French forces based in Saudi Arabia and the Gulf.

The Iraqi leader's response last week to the ultimatum for removing surface-to-air missiles from the air exclusion zone revealed what an apparently risky game he was playing.

Baghdad continued its belligerent statements right up in the deadline last Friday night and ultimately relied on US electronic surveillance to decide that the missiles had been moved to positions where they no longer posed a threat. The Iraqis left themselves no other avenue for retreat and subsequently denied they had bowed to US demands.

They have embarked on a scarcely less reckless course by refusing UN weapons inspectors the right to fly into Baghdad in their own aircraft. Last August, President George Bush was believed to have been ready to order air strikes if Iraq refused a request by the weapons team to visit ministries in Baghdad.

At the last moment the UN team did not file the request and confrontation was postponed, but shortly afterwards Washington decided, in conjunction with Britain and France, that action had to be taken to protect the Shia population in the south against further attacks by the Baghdad regime. By blocking the UN team from even entering Iraq, Mr Saddam will be well aware of the possible response.

Against this already tense background, the incursion by Iraqis into the border area near the port of Umm Qasr, part of which reverts to Kuwait under the redrawn border, was sure to set off even louder alarm bells. In part it can be explained by the provision for Iraq to remove some of its equipment before the new border comes into effect, but seizing a range of weaponry as UN observers watched made the incursion wholly political in its effect.

In being so provocative Mr Saddam would appear to have calculated that whatever the outcome, his own position within Iraq need not be weakened. As was seen from the Gulf war, a massive military defeat did not seriously weaken his grip on power.

Further allied attacks on Iraqi military installations, such as were threatened last week, may not prove any more effective in achieving the Western aim of forcing a change of regime in Baghdad.

On the other hand, they would allow Mr Saddam to reinforce his political posture as the only Middle Eastern leader willing to stand up to the world's largest military power at a time when there is widespread regional anxiety about the danger of Iraq being split into three.

With over 400 Palestinians stranded by Israel in southern Lebanon in defiance of a UN resolution and Islamic nations meeting to protest at the suffering of Bosnian Moslems, the Iraqi-inspired crisis in the Gulf is also well timed to highlight the contrasts in US attitudes.

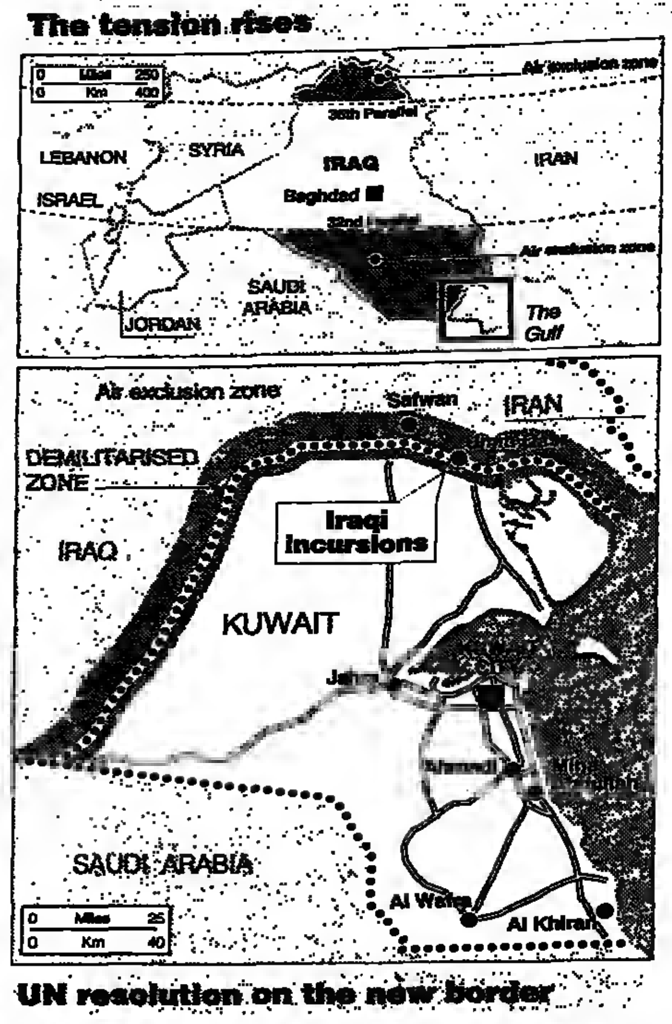
If Mr Saddam calculates that he has not too much to lose by provoking President Bush during his final days in office, he must also reckon that he has a chance of harvesting bigger political gains by facing down the allies.

There is an undoubted perception in the Gulf, including Iran, that Mr Bill Clinton will be less ready to order American armed forces into action than Mr Bush. Arab and Iranian officials have absorbed the simplistic headline messages that Mr Clinton will be devoting the greater part of his energies to resolving domestic, economic issues.

But the single most difficult calculation to be made about Mr Saddam is how vulnerable he feels to Iraq's mounting economic difficulties when added to the knowledge that he cannot indefinitely sustain a situation which denies his forces access to large parts of the country.

As his refusal to withdraw from Kuwait demonstrated, Mr Saddam is a gambler whose calculation of the odds defies normal bookmaking mathematics. He might think on this occasion that he is placing a quite modest bet which, for him at least, is likely to pay some sort of a dividend.

> Further allied attacks on Iraq would allow Mr Saddam to reinforce his political posture as the only Middle Eastern leader willing to stand up to the world's largest military power, **writes Roger Matthews**



UN resolution on the new border

IN A resolution running to 34 operative paragraphs, approved on April 3 1991, the UN Security Council called on the secretary-general "to lend assistance to make arrangements" with Iraq and Kuwait to demarcate their boundary, **writes Our UN Correspondent in New York.**

The Council so decided to guarantee the inviolability of that boundary and "take as appropriate all necessary measures to that end in accordance with the Charter".

After a series of meetings in New York and Geneva, the UN Iraq-Kuwait's boundary demarcation commission, set up under the resolution, announced that physical demarcation of part of the border was completed last November.

The commission decided that the line should be moved north effective on January 15 – next Friday. But a map of the proposed changes has not yet been issued. However, a commission official said yesterday that at the widest point the loss of Iraqi territory under the proposed changes amounted to no more than about 700 metres.

A flight-exclusion zone north of the 36th parallel was imposed on Iraq after the Gulf war, mainly to protect the oppressed Kurds. Coalition members invoked Security Council Resolution 688 of April 1991 which demanded that President Saddam Hussein stop oppressing his own people. The resolution did not threaten force. But last week, in giving Iraq 48 hours to withdraw anti-aircraft missiles from the no-fly zone imposed on the south to protect the Shias, the US, UK and France warned of an appropriate, decisive response if Baghdad did not comply.

1992

End-July: Iraqi troops surround Shia strongholds in south after intensifying air attacks on the rebels.
August: Iraq continues delaying tactics over UN inspections, and concern grows among western allies over the Shias. On August 26, the US, UK and France declare an air exclusion zone in southern Iraq to protect the Shias from air attack.
September/November: Confrontations between Iraq and the allies quieten as the US presidential election campaign moves towards its climax with the victory of Bill Clinton.
December 27: US aircraft down Iraqi warplane in southern air exclusion zone.
December 29: US says Iraqi aircraft made more sorties in the southern exclusion zone but no shots were fired at them.

1993

January 2-3: Iraqis cross Kuwaiti border in apparent attempt to take equipment such as water tanks and electricity cables they say belong to Iraq. They are reported to leave empty-handed.
January 6: US expresses concern at Iraq's deployment of radar and surface-to-air missiles inside the exclusion zone and says it is considering how to respond.
January 6: US, UK and France, supported by Russia, demand removal of batteries within 48 hours or the allies will "respond appropriately and decisively".
January 7: US reports Iraqis begin dispersing missiles.
January 8-9: US reports further movement of missiles, as well as aircraft, finally concluding that all the batteries had been dismantled and moved back to original sites.
January 10-11: Iraqis cross Kuwaiti border and seize abandoned armaments and begin dismantling naval base warehouses. The incursions coincide with Iraqi moves to prevent UN teams from coming into the country and declarations that Iraq will free itself of the air exclusion zones.

Sharif worried over relations with India

By Stefan Wagstyl and Farhan Bokhari in Islamabad

MR Nawaz Sharif, the Pakistani prime minister, yesterday expressed concern about deteriorating relations with India following an upsurge in Hindu-Moslem violence prompted by the destruction of the Ayodhya mosque.

"This tension is not good for either country," he said in an interview with the Financial Times.

India has cut Pakistan's consular staff to retaliate for a similar reduction in India's diplomatic presence in Karachi, in the latest row between the two long-term rivals.

Mr Sharif was speaking in the wake of a sharp upsurge in violence in Kashmir, where Indian security forces are battling against Moslem insurgents, and in Bombay, where Moslems and Hindus are fighting in incidents provoked by the sacking of the mosque in Ayodhya, northern India, by militant Hindus.

Mr Sharif denied Indian charges that Pakistan was helping Moslem Kashmiri insurgents with money, arms and training. He also dismissed a warning from the US that, if Pakistan persisted with such aid, it risked being branded as a terrorist nation and put on a blacklist consisting of Cuba, North Korea, Iran, Iraq, Libya and Syria. Mr Sharif said Islamabad was explaining to Washington that Pakistan was not involved in Kashmir.

The prime minister said Pakistan's help was limited to moral and diplomatic support. He added that Pakistan was also concerned about "the sufferings of India's Moslems" following the Ayodhya incident but there would be no interference in India's internal affairs.

Nawaz Sharif: "tension is not good for either country"

Savimbi says MPLA has not captured headquarters

ANGOLAN rebel leader Jonas Savimbi, in a defiant radio broadcast, told followers yesterday that he was still at his post in his stronghold, Huambo, and his Unita forces were still battling government troops, Reuter reports from Johannesburg.

"It is a lie that my house is in MPLA (government) hands," Mr Savimbi declared over his group's radio, The Voice of the Resistance of the Black Cockerel.

The battle for Huambo, Angola's second most important city, has been raging for three days, with little independent information reaching the outside and both sides issuing wildly conflicting claims.

Diplomats in the capital, Luanda, believed yesterday that the government had the upper hand and most Unita troops had retreated to the outskirts of the central highlands city.

An army communiqué on Saturday said government troops had captured Mr Savimbi's headquarters, a villa known as "the White House" near Huambo airport, and his supporters were fleeing.

Diplomats in Luanda, reached by telephone, also said that after two weeks of fierce fighting the two sides might be nearly ready to negotiate again.

The Unita leader said in his broadcast that his organisation was ready to talk to the MPLA (Popular Movement for the Liberation of Angola) whenever the MPLA wanted.

Diplomats said Unita and the government had already held talks at military commander level which indicated talks at a higher level could be on the cards.

One western diplomat told Reuters that the city of Sumbe, south of Luanda, had been mooted as a venue.

Panic grips city after seven days of violence leave at least 175 dead

Bombay leaders demand army control

By Shiraz Sidhva in New Delhi

TOP Bombay industrialists including Mr J R D Tata, Mr Ramakrishna Bajaj and Mr S P Godrej yesterday urged the Indian government to declare a partial emergency and allow the army full control of India's commercial capital which was paralysed by violence for the seventh day running, leaving 175 people dead and more than 700 injured.

The industrialists, along with leading citizens such as Mr Nani Palkhivala, the eminent jurist, and veteran film actor Dilip Kumar, said in a statement that the situation in Bombay was "totally out of hand" and that "criminals, monsters and beasts in the form of men had taken over the city".

They urged that Bombay be declared "a gravely disturbed area," and that "any delay in taking such a step would be a crime against the nation" since the "democratic process of the government had failed".

Mr Sharad Pawar, the defence minister, ordered troops to suppress widening Hindu-Moslem bloodshed. Extra forces were rushed to Bombay, a city of 12m, and convoys of heavily-armed soldiers imposed an uneasy calm in some areas worst affected by the dramatic flare-up.

A cloud of smoke hung over the city as the fire services fought to control flames consuming the shops, houses and vehicles set alight by rampaging mobs in several parts of the city.

Banks, the stock exchange, shops and offices remained closed, many of them for the fourth day as panic gripped the city. Hundreds of residents, mostly industrial workers in the worst-affected areas, fled their homes to catch trains out of Bombay. Two special trains to Gorakhpur and Calcutta evacuated homeless people.

Government officials said additional army and paramilitary troops would be sent in to reinforce the security forces which took up positions in 25 riot-ravaged areas yesterday.

The International Federation of Working Journalists has condemned the attacks on Moslem journalists and newspaper offices in the past two days.

The city has been tense since last month's nationwide riots triggered by the destruction of Ayodhya mosque by Hindu zealots in which more than 1,200 people died.

But the new flare-up appeared to have been deliberately fanned by Hindu political groups trying to push prime minister P V Narasimha Rao into an early general election, political sources said.

Leaders of the opposition Janata Dal party courted arrest in New Delhi yesterday, demanding the dismissal of the Maharashtra and Gujarat state governments for failing to control the violence in Bombay and Ahmedabad.

The situation remained tense in Gujarat with the death toll in the state reaching 57, with seven more reported yesterday.

● Mr Murli Manohar Joshi, president of the militant Hindu Bharatiya Janata party (BJP), reiterated his party's commitment to build Hindu temples on the site of the demolished mosque in Ayodhya, and at two other places, Kashi and Mathura, in northern India where Hindus claim Moslem conquerors destroyed temples to build mosques.

Mr Joshi and other BJP leaders were released from a month's detention yesterday. The BJP, India's largest opposition party, will meet this morning to chalk out a future political strategy.

The Hindu party is most likely to demand an early election, claiming that Mr Narasimha Rao had lost the confidence of the people following the events at Ayodhya.

● England's opening one-day cricket international against India in Ahmedabad on Saturday has been called off by the Board of Control for Cricket in India because of the violence.

BJP leaders L K Advani and H H Joshi gesture following their release after being held after demolition of the Ayodhya mosque

HK delays democracy legislation

By Simon Holberton in Hong Kong

GOVERNOR Chris Patten's proposals for greater democracy in Hong Kong are unlikely to be put before the local legislature until the end of next month, increasing the time available for legislators to draw up any alternatives.

The Executive Council, Mr Patten's highest advisory body, begins its deliberations on the legislation today. Its consideration could last a month or so, far longer than had been generally assumed.

Moreover, according to one government official, the Executive Council's blanket approval for all the proposed reforms cannot be taken for granted.

"You cannot assume it goes to LegCo [the Legislative Council] as proposed," he said.

"The Executive Council could advise that the proposals need amendment, although I would be surprised if they were changed."

The general expectation in Hong Kong was that the Executive Council would approve the legislation at today's sitting.

This would have cleared the way for the package to be introduced into the Legislative Council in the first week of February.

The suggestion that the Executive Council may want to spend up to three sessions considering Mr Patten's legislation is bound to raise expectations that the governor's proposals might be altered to make them more acceptable in China.

Beijing has ruled out accepting an Executive Council or LegCo-induced solution to its objections to the governor's plans. Beijing claims it will be satisfied only with the complete withdrawal of Mr Patten's proposals.

However, there has been a marked change in the tone of recent Chinese criticism. Over the past week, senior Beijing leaders have sought to reassure the colony about China's confidence in Hong Kong's future, especially its economy.

Some have emphasised the need for what LegCo decides to accord with the 1984 Sino-British Joint Declaration and the 1990 Basic Law – Hong Kong's mini-constitution which comes into force in 1997.

This appears to raise the possibility of China accepting Mr Patten's legislation if Legco amends it sufficiently.

Whites plan South African exodus

A South African research group said yesterday that more than 250,000 whites were thinking of emigrating because of economic problems, crime and political uncertainty, Reuter reports from Johannesburg. Such fears were also discouraging foreign professionals from coming to South Africa.

The Human Sciences Research Council said a "frightening number" of white school-leavers, particularly Afrikaans-speakers, were thinking of leaving.

US Marines in crackdown on Somali gun bazaar

By Julian Ozanne in Nairobi

US MARINES closed down Mogadishu's gun bazaar yesterday, continuing an unofficial policy of arms reduction in the chaotic country.

Their action came as Somali warlords agreed to declare a ceasefire and start disarming their militias of heavy weapons, a move which further strengthened the tentative peace agreement taking shape at talks in Addis Ababa.

Although the ceasefire is unlikely to end fighting in Somalia, where unruly militiamen, freelance gunmen and bandits continue to hold sway, the agreement, if honoured, could mark a significant step down the long road to peace.

At the United Nations-sponsored talks in the Ethiopian capital yesterday 15 clan-based factions committed themselves to handing over all heavy weapons to a monitoring group, to be composed of UN troops, until a legitimate Somali government is formed.

The warlords and faction leaders also agreed to move militias into camps outside the main towns by March 1 in preparation for complete disarmament; to establish a register for all civilian weapons; to free all political prisoners; and return confiscated property to rightful owners.

Delegates have already agreed to convene a national reconciliation conference on March 15 which will write a national charter and create an interim assembly and government. Talks were still deadlocked yesterday, however, on who should attend the conference, which will have extraordinary power to chart Somalia's political future, including the thorny issue of choosing an interim president.

Diplomats and observers in Addis Ababa say they have sensed a new mood of realism among the warlords in the past five days. They say the warlords are increasingly aware that their power, based on monopoly of heavy weapons and food aid, is disintegrating and they risk being swept away by events which expose their illegitimacy.

Intensified efforts by foreign troops at what US officials describe as "arms reduction," rather than disarmament which has been publicly ruled out by Washington, have clipped the wings of the militia bosses.

Warlords such as Gen Mohamed Farah Aideed, Somalia's most dominant strongman, who originally opposed an early national reconciliation conference, have suddenly argued for a hasty March date.

Many Somalis, however, have criticised the way the United Nations has allowed the warlords to tie up a deal aimed at preserving their illegitimate power rather than opening up the peace process to clan elders, intellectuals and exiled politicians. They question whether any deal struck by increasingly desperate faction leaders will be able to deliver a lasting solution to the country's woes.

NEWS: THE AMERICAS

Perot's return fires talk of White House ambition

By Jurek Martin in Washington

MR ROSS PEROT yesterday relaunched his grassroots national political organisation, *United We Stand America*, by inviting anybody willing to pay $15 to sign up as a member.

Just 10 weeks after capturing the votes of nearly one in five Americans as the independent candidate in the presidential election, the Texas billionaire said the organisation's aim was closely to monitor the performance of the new administration and Congress in cutting the budget deficit and improving the nation's economic and social infrastructure.

Mr Perot has adopted a low profile since November but his Dallas press conference yesterday marked the start of a round of television talk shows, and which will inevitably revive talk about his ambitions for 1996.

He insisted the organisation would remain non-partisan. However, a US syndicated newspaper column yesterday raised the possibility that Mr Perot could contest the 1996 election on the Republican ticket.

The Evans and Novak article, admittedly speculative, noted a recent meeting in Philadelphia between Mr Perot, Mr Robert Dole, the Senate minority leader, and Senator Arlen Specter, the Pennsylvania Republican, during which Mr Perot spoke of "revitalising" the opposition party.

"Since another third-party Perot run for president would scarcely revitalise the GOP," the colomnists wrote, "the inference from the meeting is that the lifelong political independent from Texas might don Republican colours".

Mr Perot and Senator Dole are on reasonably good terms. Mr Dole is also engaged in a struggle for hegemony in the Republican party, particularly against the group of "bleeding heart" conservatives led by Mr Jack Kemp, the outgoing housing secretary with naked presidential ambitions.

Mr Kemp, along with Mr William Bennett, the former education secretary, and Mr Vin Weber, who resigned as a congressman last year, will today set up a political organisation designed, in part, to appeal to Perot voters. Mr Bennett told Evans and Novak: "We should ignore him and go for his people."

Mr Perot, whose animosity towards President George Bush was conspicuous last year, yesterday declined to speculate on his longer term plans. He was, however, critical of the nomination of Mr Ron Brown as commerce secretary because of his career as a lobbyist. Mr Brown might be "a fine man," he said, but he represented all "we know to be wrong" in Washington.

Argentina draws foreign scavengers

Companies rush to pick up pieces of a dismantled public sector, writes John Barham

AS Argentina dismantles almost its entire public sector, foreign companies are diving in to pick up the pieces.

In little more than three years, the government has privatised 51 companies, raising $5.6bn in cash, cancelling $12bn of foreign debt and transferring $1.3bn of financial liabilities to the buyers of privatised companies. It has also won commitments from the companies' new managements for investment programmes averaging $4bn a year up to the turn of the century.

In doing so, it has attracted respected international companies to run privatised corporations which have suffered from a lack of investment and years of neglect. British Gas distributes gas in Buenos Aires, France Telecom operates the telephones in the northern half of the country and Chilean companies generate electricity.

Foreign companies' incursions into Argentina, an economy suffering hyperinflation a little over three years ago, often reflect wider international strategies. British Gas, which holds 29 per cent of Metrogas, the new Buenos Aires gas distributor, aims to expand substantially its overseas operations, which contributed 10 per cent of the group's 1991 profit of £921m.

Mr Peter Lehmann, who headed the Metrogas acquisition, says Argentina represented an unusual opportunity to enter a large but under-developed gas market. Metrogas, with forecast annual turnover of $600m, will be among the world's larger distribution companies; yet it also offers significant growth opportunities.

Improved maintenance, billing, and marketing techniques at all privatised companies can easily yield profits well in excess of the 12-16 per cent yield on Argentine government debt, the benchmark investment.

The risks are still substantial, particularly if today's reasonably stable economy suddenly deteriorated. However, buyers think the government has set the prices they can charge high enough to fund investments and has also linked them to the dollar, reducing inflation and devaluation risks.

Foreign investors also hope that participation of a wide group of foreign companies reduces the risks of any arbitrary rule changes for foreign companies. One foreign executive said: "A government will think twice before intervening in a way that could upset foreign governments."

However one big early privatisation is already in trouble. The national airline, Aerolineas Argentinas, was privatised in 1990 – before a raft of changes to clean up the privatisation programme introduced by the reform minded economy minister Domingo Cavallo. Spain's state-owned Iberia took 30 per cent.

Government officials are now threatening to scrap the sale and start again from scratch because they say Iberia is not running Aerolineas properly. Last July, the government also had to take the place of Iberia's minority local partners when they failed to come up with the capital they were committed to inject into the struggling company.

This has heightened concerns that the Argentine companies active in the privatisations as minority partners have paid too much for their assets and are financially overextended. This is denied by the companies.

Mr Roberto Roca, president of Techint, a big industrial group, says he is not over-stretched despite having spent $553m on large minority stakes in a railway, highway toll concessions, a steel mill, an electricity generator, a telephone network, oilfields and a gas company. He says Techint's debts of $450m are only one-third of the group's net worth, but does expect to increase debt by $100m a year.

Mr Oscar Vicente, vice president of Perez Companc, Argentina's largest industrial conglomerate, says his company doubled its net worth to $1.9bn by buying $876.9m-worth of state assets. All the same, he says Perez Companc only took on debts of $350m, and promises that gearing will always remain "exceptionally low".

Although the trade unions, though subdued, are still powerful, dealing with the legal and regulatory systems could be the privatised companies' biggest problem. Argentina's civil service has never shown much honesty or competence, and the concept of regulatory bodies independent of government policy is alien.

The government has created regulatory agencies to supervise the telephone, gas and electricity services. However, only the telecommunications regulatory commission is actually functioning. The gas and electricity regulators have not all been appointed yet.

The agencies are meant to be independent of government and their boards appointed for fixed terms. Yet in 1991 Mr Cavallo sacked the entire telecommunications commission board for incompetence, replacing them with his own appointees.

The privatisation process still has some way to go. The government will soon begin floating off residual minority shareholdings in privatised companies, worth an estimated $2bn. And this year will see the beginning of the biggest privatisation of them all: the sale of 70 per cent of YPF, the national oil company and Argentina's largest company, worth in total over $8.5bn.

There is a growing debate over the government's decision to sell YPF as a single unit, rather than breaking it into separate business units as it did to ensure competition in the electricity and gas industries.

There is one major government asset that is not on the privatisation agenda – at least in the foreseeable future: Banco de la Nacion Argentina, the government-owned commercial bank and the country's largest financial institution. Officials say they need it because it enables them to oversee and pressurise the private financial system.

This is an explanation received sceptically by some in Buenos Aires, who believe that now that the central bank is independent, the government still wants an arm for discreet borrowing and financial support operations.

MAJOR FOREIGN STAKES IN ARGENTINE PRIVATISATION

Company	Date	Amount	Shares sold (%)	Main buyers
Aerolineas Argentinas	Nov 90	$260m cash $1.6bn debt[1]	85	Iberia, Spain
Entel (telephones)	Nov 90	$214m cash $5bn debt[1]	60	Telecom France, STET Italy, Telefonica, Spain
Electricity				
Central Puerto	Apr 92	$92.2m cash	60	Chilgener, Chile
Cent. Costanera	May 92	$90.1m cash	60	Endesa, Chile
Edenor	Aug 92	$30.0m cash $397.9m debt[2]	51	Electricité de France
Edesur	Aug 92	$30.0m cash $481.0m debt[2]	51	PSI Energy Inc
Edelap	Nov 92	$5m cash $134m debt[2]	51	Houston Light & Power
Steel				
SOMISA	Oct 92	$140m cash $12.1 debt[1]	80	CVRD, Usiminas (Brazil), ACP, Chile
Gas				
Trans del Sur	Dec 92	$305m cash $256m debt[2]	70	Enron Pipeline Co, US
Trans del Norte	Dec 92	$66m cash $182m debt[2]	70	Novacorp, Canada
Dist. Pampeana	Dec 92	$18m cash $217m debt[2]	70	Camuzzi, Italy
Dist. Metro	Dec 92	$300m[3]	70	British Gas, UK
Dist. BA Norte	Dec 92	$155m[3]	70	Gas Natural, Spain
Water				
OSN (Water)	Dec 92	30-year concession		Lyonnaise des Eaux, France

[1] Nominal Value [2] Face value [3] Bid value in cash & debt

IADB launches Latin America investment fund

The InterAmerican Development Bank yesterday launched its much-delayed Multilateral Investment Fund to promote private sector investment, financial market deregulation and other economic reforms in Latin America, writes Nancy Dunne.

President George Bush proposed a $1.5bn fund in June 1990 as part of his Enterprise for the Americas Initiative. He envisaged that the US, EC and Japan would each give $500m over five years to get the fund established. Contributions, however, have totalled less than $1.25bn. Although Japan has pledged its $500m, Europe has been less generous. Spain is contributing $50m, Germany $30m, Italy $30m, France $15m, Portugal $4m.

The US Congress has authorised $90m for the first year, rather than the $100m requested by the president. Latin American countries are contributing the rest.

The fund will have three separate facilities. One will provide technical assistance to identify and implement policy changes needed to boost the private sector. A "human resources" facility will lift productivity by funding education and worker retraining programmes. Another facility will establish a revolving fund to make loans and equity investments in support of micro- and small business enterprises run by women, minorities and the poor.

The trial of Mr Clark Clifford (left) and law partner Mr Robert Altman (right) will go ahead. However, the judge left open the possibility of separating the prosecutions

Judge refuses to drop fraud charges against Clifford

By Alan Friedman in New York

A NEW YORK state judge yesterday refused to dismiss a fraud and bribery indictment against Mr Clark Clifford, the 86-year-old former US defence secretary, in connection with the Bank of Credit and Commerce International (BCCI) scandal.

Mr Clifford's lawyers had made the request because of his heart condition. But Judge John Bradley said the medical testimony was "conflicting" and the trial of Mr Clifford, and of Mr Robert Altman, his law partner, should go ahead on February 15.

The judge concluded that Mr Clifford was "trying to manipulate the criminal justice system to his own advantage," but left open the possibility of delaying his trial by separating it from Mr Altman's.

Mr Clifford and Mr Altman resigned in August 1991 as chairman and president of First American Bankshares, a leading Washington bank, and were charged in New York last July with fraud, bribery and allegedly concealing from US banking regulators their knowledge of BCCI's secret control of First American.

Judge Bradley dismissed broader conspiracy charges against Mr Clifford, on the grounds that the statute of limitations had expired.

Referring to the remaining criminal charges, the judge said that after reading 9,500 pages of the underlying Grand Jury minutes he had the impression "that the evidence of guilt is overwhelming".

The judge said Mr Clifford had an obligation to appear on Thursday in New York for a pre-trial hearing, but could waive his right to appear on health grounds.

Mr Clifford's lawyers have been trying for months either to delay the trial or have the case dismissed. But aides to Mr Robert Morgenthau, the Manhattan district attorney who has spearheaded BCCI prosecutions in the US, have argued that Mr Clifford should stand trial.

Both he and Mr Altman also face a separate indictment in Washington on charges of allegedly lying to federal banking regulators about their knowledge of BCCI's secret ownership of First American.

Nicaragua devalues to lift economy

By Damian Fraser in Mexico City

NICARAGUA has devalued its currency in an attempt to boost the economy and raise exports.

The US dollar will now fetch 6 rather than 5 córdobas, ending almost two years of a fixed exchange rate. This represents a devaluation of 16.66 per cent for external purposes, using the International Monetary Fund's method of calculation. The cordoba will slide to a year-end target of 6.30 to the dollar.

The devaluation was provoked by last year's anaemic growth of 0.5 per cent, lower-than-expected coffee prices, and delays in promised US aid. It was accompanied by measures to stimulate foreign and domestic investment, and higher tariffs on imports of luxury goods.

President Violeta Barrios de Chamorro heralded a shift in economic policy when she told the National Assembly that social issues would be a priority of the government this year and partly blamed her austere economic policies for rising poverty and unemployment.

Economic policy would, in future, be aimed at "reactivation in solidarity with the poor, unemployed and the population affected by Nicaragua's drought," she said.

The fixed exchange rate, coupled with a balanced budget, had helped Nicaragua reduce inflation from 7,000 per cent in 1990 to 3.6 per cent last year. But per capita income has declined for the past nine years, and some 60 per cent of the adult population is underemployed or jobless.

The shift in economic policy may be intended to appease the left-wing Sandinista party, on whose support Mrs Chamorro depends and which has been critical of the government's orthodox economic policy. Over the weekend Mrs Chamorro appointed three Sandinistas to her cabinet.

The conservative coalition that helped Mrs Chamorro to office, and which has since been bitterly critical of her reconciliation with the Sandinistas, formally abandoned her over the weekend and boycotted the opening of the National Assembly.

On Saturday, Vice-President Virgilio Godoy led a march through Managua demanding Mrs Chamorro's resignation.

Correction

Mexican inflation

Due to an editing error, Mexico's inflation rate in December was incorrectly given in some editions of Saturday's paper. The correct inflation figure is 1.4 per cent.

Oil tanker movements face scrutiny

By Deborah Hargreavea and Ivor Owen

AN INQUIRY into the Braer disaster is to consider stricter regulation of oil tanker movements off the UK coast in order to avoid a repetition of the environmental damage caused after the vessel ran aground in the Shetland Islands last week.

The government announced yesterday that Lord Donaldson, a former Master of the Rolls – one of tbe most senior UK lawyers – will head an additional Inquiry into the disaster. The marine accident investigation hranch of the Department of Transport has already begun an investigation into the causes of the wreck.

The Braer continued to be battered hy hurricane-force storms yesterday, which caused further damage to more than half of the vessel's oil tanks which were all heavily leaking into the sea. Hopes of recovering any of the Braer's oil before it caused further pollution were diminishing as storms continued to rage.

Captain Geert Koffeman of Smit Tak, the Dutch salvage company handling the Braer, said: "We can never be sure we will recover any oil. There is no guarantee, but we are doing our best." He indicated that the sbip could break up within days in some of the worst weather conditions ever experienced in .he Shetland Islands.

However, the Department of Transport's Marine Pollution Control Centre said lt had still received no reports of any substantial quantities of oil coming ashore.

The Royal Society for the Protection of Birds said that important breeding colonies for shag and black guillemot could be wiped out hy the oil spill.

The tanker's US-based operator, Bergvall and Hudner, yesterday promised a "substantial" contrihution to the wildlife clean-up costs on the Shetland Islands. Company officials believe the hill for the clean-up could run into "hundreds of thousands of pounds."

Mr Ian Lang, Scottish secretary, and Mr John MacGregor, transport secretary, underlined in the House of Commons the government's determination to ensure that, ultimately, the "poiluter pays" principle was enforced.

Mr MacGregor said the Donaldson inquiry has been called "to advise on whether any further measures are appropriate and feasible to protect the UK coastline from pollution from merchant shipping. Due consideration should be given to the international and economic implications of any new measures".

He made a cautious response to demands for unilateral action by the UK to restrict oil tanker movements in the English channel and other areas where a collision or other sccident would be likely to have disastrous consequences.

While stressing that the Donaldson inquiry would be free to make recommendations, he suggested that concerted action based on an international agreement was likely to produce the most effective results.

Mr MacGregor envisaged that Lord Donaldson would be joined hy assessors in conducting the inquiry, and assured MPs that, if necessary, they would be able to make an interim report on proposals requiring implementation as a *matter of urgency*.

New head of BBC plans big shake-up

By Raymond Snoddy

MR JOHN BIRT, the new director general of the BBC, yesterday embarked on s fundamental reorganisation of the corporation and lts management, designed to improve its efficiency and accountability.

The changes, Mr Birt promised a week after taking over, would make sure that in 1990s the corporation would be able to "huild on its best programme traditions, enhance its creativity and absorb the best of contemporary management practice".

Mr Boh Phillis, chief executive of Independent Television News, will become deputy director general with special responsihility for bringing together BBC World Service radio and television.

In the second big outslde appointment, Ms Liz Forgan, director of programmes at Channel 4, will become managing director of BBC Network Radio. She will also lead a year-long programme strategy review to define what sorts of programmes the BBC should be producing in future.

The BBC will also set up an annual performance review in every area to measure performance against stated targets, particularly for programmes.

The blueprint for the future was produced after Mr Birt had talks with senior executives in both public and private sector industries.

Mr Birt declined to discuss yesterday whether the BBC had re-paid Channel 4 "golden handcuff" money paid to Ms Forgan to encourage her to stay at the channel. It is believed about £70,000 has been paid.

Asked about over-spends at BBC Televislon, Mr Birt repeated that there had been an overspend of £38m in 1991-92 and his "best guess" was that this year's potential overspend was £21m. Some senior BBC managers suggest the figure may be higher.

The naw plans inclnde important changes to the way programmes are commissioned and made. For the first time there will be a separation between the channel controllars who commission and schedule programmes and the departments which produce them.

There will also be a study of tha axtent to which programme departments should go bi-media – uniting radio and television programme making.

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Court told of 'simple' £5.2m theft from Guinness

By John Mason, Law Courts Correspondent

MR THOMAS Ward, the US lawyer and former Guinness director, laid the ground for the theft of £5.2m from the company after its successful takeover bid for Distillers in 1986, an Old Bailey jury heard yesterday.

Opening the prosecution at the start of the final Guinness trial, Mr Victor Temple alleged that Mr Ward sought and obtained the active co-operation of Mr Ernest Saunders, the former Guinness chairman and chief executive, who lent his direct assistance to the dishonest enterprise.

Mr Ward faces one charge of stealing £5.2m from Guinness and single charges of false accounting and procuring the execution of a valuable security in relation to the alleged theft. He deniaa all the charges.

Mr Ward and Mr Saunders had been friends and close confidants for a number of years, Mr Temple said. Mr Ward was Mr Saunders' principal adviser and had joined the Guinness board in January 1985.

After Guinness won its takeover battle wlth Argyll over Distillers, tbe company had to pay its advisers. The chances that any particular invoice would be checked were remote and hoth Mr Ward and Mr Saunders were anfficiently powerful to be able to deflect any queries, Mr Temple said.

This allowed the two men to put into effect a simple, clever and effective joint enterprise to steal the £5.2m, he went on. Through the submission of a false invoice, the money was paid to Marketing and Acquisition Consultants Ltd, a Jersey-based company controlled by Mr Ward.

Guinness's strategy during the takeover was decided by a committee of three directors – Mr Saunders, Mr Ward and Mr Olivier Roux, the company's finance director.

Mr Roux would appear as the prosecution's principal witness, Mr Temple said.

The trial, which is expected to last ahout three months, continues today.

MPs back curbs on snooping

By Ivo Dawnay, Political Correspondent

CROSS-PARTY support for legislation to prohibit snooping, whether hy electronic surveillance, telephoto lenses or trespass, was mounting in the Commons yesterday following the widespread leaking of the Calcutt report on press behaviour.

But MPs were sharply divided over whether the government could or should set up a powerful statutory press complaints tribunal with recourse to the courts – *reportedly the most formidable* teeth in Sir David Calcutt's proposals.

The Cabinet, which will discuss the report on Thursday, is divided on the question. While Mr John Major, Mr Douglas Hurd snd Mr Kenneth Clarke are understood to fsvour action, others are dubious over how feasible lt will be to devise effective legislation.

Fot the opposltion Labour party, Ms Ann Clwyd, accused some editors of an "hysterical" reaction to the report – there was now a lot of support across the country for statutory restraints on the press, she said. Ms Clwyd supports a bill to set up a body to enforce the right of reply, targeted chiefly at protecting private citizens.

Construction industry fears further decline

By Andrew Baxter

CONSTRUCTION activity is expected to decline again this year – reaching a low point in the second half – but will rise modestly in 1994 as house huilding recovers with the slow improvement expected for the economy, the joint forecasting committee for the Construction industries predicted yesterday.

The committee estimated that output had fallen 6 per cent last year to £29.9bn at 1985 prices, and it expected a further 2 per cent fall this year followed by a 1.5 per cent rise next year.

The forecast, published by Constructlon Forecasting & Research, estimated that the value of new work fell 11 per cent between 1990 and 1992 to £17.8bn at 1985 prices.

A further 4 per cent downturn in new work was forecast for this year, with another considerable fall in private non-residential construction only partly offset by lncreases in housing and public non-housing output.

New work was predicted to rise hy 1 per cent next year based on further increases in housing output, both social and private.

The committee commented that the soie measure in the government's Autumn Statement on public spending which benefited construction was the release of £750m to housing associations to purchase 16,000 homes by the end of the financial year.

The forecasts for this year show varlations between construction sectors. Public and private housing output were both predicted to rise 10 per cent this year and 11 per cent and 12 per cent respectively next year.

Britain in brief

BCCI court hearing postponed

A High Conrt hearing to consider whether a meeting should be called in the UK for creditors of the collapsed Bank of Credit and Commerce International has been postponed until Friday.

Touche Ross, the UK liquidator of BCCI SA, one of the two banking arms of BCCI, has asked for court direction on whether a creditors' meeting should he held to elect a liquidators' committee. BCCI SA, whlch carried ont much of its bnsiness in the UK, has about 140,000 creditors.

Council cuts

Newcastle clty council's controlling Labour group says lt will have to shed 400 jobs as part of a £7.9m cuts package for 1993-4.

The group expects to have to make cuts totalling £20m in the coming three financial years lo keep within government spending targets, which have pegged its 1993-4 bndget at £223.5m.

Job relocation resistance

Employee resistance to job relocation is growing, mainly because of the difficulties of selling homes and the reiuctance of partners to give np their jobs and move too, according to a new survey.

Nearly 40 per cent of the 251 companies surveyed by the Confederation of British Industry and Black Horse Relocation Services, said that a working spouse "presented a key inhibltor to relocation." A third mentioned worries over children's edncation and just over a quarter quoted family ties and roots as reasons for reluctance to move with the company.

Fears for care of the elderly

Funding prohlems in providing residential care for the elderly are likely to get "significantly worse" when the government's community care reforms are introduced in April, says the Methodist Homes for the Aged, one of Britain's higgest charitable providers of residential care.

The charity warns that "both the quality and the availability of appropriate care may he under threat" from lack of funding. Government support has not kept pace with actual care costs says the charity which spends £400,000 a year subsidising social security-funded residents in its homes.

Accountants criticised

Fewer than half of the certified acconntants registered to conduct audits of British companies performed satisfactorily, according to their regulatory body's first annual report.

Of the 297 firms and sole practitioners visited ont hy the Chartered Assoclatinn of Certified Accountants, 139 were judged to have poorly developed quality controls or prodnced work which did not support the opinion given.

Only 134 firms – or 45 per cent of the total – were found to be satisfactory, with only minor deficiencies ldentified in quality control or andit work.

Plea on capital allowances

The Engineering Employers' Federation has urged Mr Norman Lamont, chancellor, to stimulate industrial recovery by a permanent extension of capital allowances for plant and machinery to 100 per cent.

In his autumn economic statement, Mr Lamont raised first-year capital allowances for investment in plant and machinery from 25 per cent to 40 per cent.

But the EEF, in its Budget submisslon, says permanent 100 per cent capital allowances would act as a strong incentive to companies to proceed with projects which would not be sanctioned under present tax arrangements.

Schools' pager network set up

Headteachers in County Durham, northern England, are carrying pagers in an experiment dasigned to protect pnpils and school property from crime. The pager network, which keeps contact with local police, is intended to spread warnings and information.

POWER GENERATION

British Coal chief says public misled on costs

By David Lascelles, Resources Editor

MR NEIL CLARKE, the chairman of state-owned British Coal, took public issue with Prof Stephen Littlechild, the electricity regulator, accusing him yesterday of misleading the public over the cost of generating electricity from coal.

In an unusual step, Mr Clarke publicised a letter he sent to Prof Littlechild highlighting what he described as "serious shortcomings" in his report on electricity prices last month.

By using "a very selective and dubious example", Prof Littlechild had created the mistaken impression that coal was an expensive way of generating electricity, he said.

In the report just before Christmas, Prof Littlechild examined electricity pricing to determine whether the regional electricity companies were purchasing power economically.

He concluded that they were, but in the process indicated that coal-based electricity contracts were the most expensive, followed by nuclear and gas.

Although Prof Littlechild's report was only a prelude to a full study to be published at the end of this month, it caused a furore because it coincided with the coal review being conducted by Mr Michael Heseltine, the trade and industry secretary.

In his letter yesterday, accompanied by a detailed analysis of the report, Mr Clarke says Prof Littlechild failed to compare like with like, and used "arbitrary" assumptions about the role played by various fuels in meeting UK demand for electricity.

He also complains that Prof Littlechild stressed the positive features of gas without examining those of coal, and that he portrayed coal as permanently high cost despite the steady improvements in British Coal's productivity.

Mr Clarke goes on to say that careful study of Prof Littlechild's own findings showed that coal was competitive with other fuel sources, including coal imports, and offered distinct advantages.

He also stresses the doubts expressed by Prof Littlechild over whether the electricity generators were passing on the full benefits of lower coal prices to their customers.

Mr Clarke says the British media seized on a key sentence in the press release on the report which said that coal contracts were the most expensive.

"I fear that the misconception about the fundamental economics of generation from coal and gas created by misreporting of your study, has served to confuse rather than inform those making vital decisions in the coal review [who will not in general read the detailed document]".

A spokesman for Prof Littlechild said officials would be meeting British Coal to discuss the points raised in the letter and these would be taken into account in the final version of the report.

● British Coal's operations should be licensed to the private sector rather than privatised, according to Mr Malcolm Edwards, the former commercial director of British Coal.

Speaking in London yesterday, he said: "The mines would remain publicly owned, but the private sector would be able to show whether it could do better, and there would be some choice for coal consumers within the UK."

Consumer caution slows demand for credit

By Emma Tucker, Economics Staff

CONSUMER borrowing rose only modestly in November indicating people are still cautious about taking on debts.

Official figures out yesterday showed consumers borrowed a net £15m from lenders in November less than the £76m borrowed in October. The increase disappointed economists' expectations of a more substantial rise.

The latest figure took the total rise in credit in the three months to the end of November to £31m, compared with net repayments of £13m in the three months to the end of August. Nevertheless, the trend in demand for credit remains flat, reflecting the importance attached to debt repayment by consumers.

The small rise in November suggest that interest rate cuts in September and October failed to stimulate a recovery in spending. Figures last month showed November was a poor month for retailers.

The Treasury said the latest credit business figures do not reflect the mid-November cut in interest rates. It added that consumers appeared to be borrowing at a "steady rate" while making a "prudent reduction" in their debts.

The seasonally adjusted figures from the Central Statistical Office also show that in November the amount of new credit advanced to consumers by finance houses, building societies and credit cards that are part of the VISA or Master card system was £4.01bn, slightly higher than in October when it was £3.83bn.

The credit business figures do not include mortgages and account for only about 15 per cent of total private sector debt. They do, however, provide a useful snapshot of consumer behaviour, reflecting in recent months the continuing reluctance of British consumers to borrow.

The sluggishness of consumer borrowing in recent months underlines expectations for a slow economic recovery with consumers, chastened by rising unemployment, continuing to make the repayment of debt a priority.

A visitor examining a bust of the late Robert Maxwell at the tycoon's home at Headington Hill Hall in Oxford yesterday. The bust is among the contents of the house which will be auctioned by Sotheby's on Thursday

Hard work can be bad for business

By Catherine Milton, Labour Staff

PART OF the secret of a healthy workforce may be encouraging staff to work less hard, a director of Zeneca Pharmaceuticals, ICI's drugs division, said yesterday.

Mr Barrie Thorpe, production director of Zeneca Pharmaceuticals, told a London conference on mental health at work that establishing sensible workloads for staff was one way the company had tackled stress-related illness.

A letter from Zeneca Pharmaceutical's chief executive officer sent to department heads as part of the company's stress management strategy, warned: "If work takes up more than a reasonable proportion of an individual's time, over too long a period, the business is unlikely to benefit in the long run."

While some stress was good for both individuals and the business, leading to job satisfaction, motivation and good performance, "too much or inappropriate pressure on people who are unable to cope with it is bad for them and bad for the business". The letter drew attention to the importance of hobbies and holidays: "The sensible planning and allocation of work within your department is a vital factor in maximising efficiency."

Earlier, Mrs Virginia Bottomley, health secretary, told delegates: "A company of 1,000 employees can expect between 200 and 300 with depression and anxiety in any one year, and one suicide every decade."

Mitsubishi to build £12m air conditioning plant in Scotland

By James Buxton, Scottish Correspondent

MITSUBISHI Electric, the Japanese consumer products group, is to set up a factory in Livingston, Scotland, to make air conditioners. The 95,000 square foot plant, involving a investment of £12m, will employ 200 people.

The plant, due to open next year, will bring to 1,700 the number of people Mitsubishi Electric employs in Scotland.

The Japanese company makes video recorders at Livingston and televisions at Haddington, East Lothian. Its subsidiary Apricot Computers, manufactures personal computers at Glenrothes, Fife.

Mitsubishi Electric's other European plants are in Croydon, southern England, and at Dublin, Ireland.

The plant will manufacture air conditioners for the European market. Since Britain is not a strong market for air conditioners the Scottish inward investment body, Locate in Scotland, regards Mitsubishi Electric's decision to choose Scotland as a coup.

Sir Peter Parker, chairman of Mitsubishi Electric UK, said the company had chosen Scotland "because we feel at home here." It had examined many alternative sites throughout Europe but had decided to was best to build on the strong ties it had established in Scotland.

Mitsubishi is believed to have examined sites in Italy, Spain, France and Ireland.

Mr Ian Lang, Scottish secretary, said the move by Mitsubishi Electric was "a most significant move on the part of a major Japanese multinational in Scotland." The plant would involve a high input of mechanical engineering to which sophisticated electronics are applied.

Pension panel wary of sweeping reforms

By Norma Cohen, Investments Correspondent

PROF Roy Goode, chairman of the government's pension law review committee, yesterday signalled that the panel would be reluctant to recommend sweeping legal changes which might deter employers from making pension provision.

He also said he hoped to mitigate the effects of tougher pension regulation by recommending simplification of the many, often conflicting regulations which govern occupational pensions.

"The consensus expressed across the whole range of respondents to our consultative paper was a desire to see to it that the baby is not thrown out with the bath water," Prof Goode said. The committee was unlikely to recommend, however, that the current pensions regime remain unchanged.

As a result of responses to its initial paper, issued last autumn, he said, the committee had expanded its review to include ways to simplify the administrative burden for employers. The pensions industry has long complained, about, among other things, tax treatment for schemes which contract out of the State Earnings Related Pension Scheme.

The committee is unlikely to take the line urged by employers' groups which would give employers unequivocal use of pension fund surpluses. Prof Goode said the panel might take the view that surpluses belonged to neither employers nor scheme members but were there to guarantee the payment of promised benefits.

MANAGEMENT: THE GROWING BUSINESS

The plight of small and medium-sized companies which need export finance is raising increasing concern. **Charles Batchelor** reports

Credit where it is due

Mike Smith expects to sell about £500,000 worth of second-hand plastic production machinery this year, 90 per cent of it overseas.

Smith says he has never had a default from a foreign customer but, becaose much of his equipment goes to "risky" countries, he cannot obtain export credit insurance and nor, therefore, export finance from his bank.

Fortunately for Smith, who sells to Egypt, Sri Lanka, Poland, India and Yemen, the owner of the company which ships his machinery has been willing to finance these export deals. The shipper, who does a lot of business with the safer US market, has export credit cover from NCM Credit Insurance, one of the main providers of this form of insurance and so is able to extend cover to Smith's riskier destinations.

"This means I get export credit cover indirectly but I pay a higher premium for the funds than I would for a bank overdraft," says Smith. He is also concerned that as his business grows he may no longer be able to call on all the funds he needs from this source.

In recent months the British government has given signs of wanting to make conditions easier for UK exporters. Richard Needham, junior trade minister, told the Institute of Exports last month that the government wanted to ensure there was adequate insurance cover at competitive premiums while an extra £700m of export credit guarantees were announced in the November autumn financial statement.

But industrialists and organisations which advise exporters remain deeply concerned at the poor level of support for exports. Most attention has been focused on the plight of large manufacturers of capital goods but the position of small and medium-sized businesses is, if anything, even worse.

"The current scenario is not remotely user-friendly," says Campbell Dunford, chairman of the London Chamber of Commerce's export finance committee. "Export support has been allowed to wither away on the grounds that we must get rid of subsidies."

Ian Campbell, director general of the Institute of Export, says: "We are very concerned about the level of finance available to small firms."

While smaller companies in France and the Netherlands have increased their share of visible exports during the 1980s there is no evidence of a similar increase in the UK, according to the latest NatWest Review of Small Business Trends.

Detailed data on small firms' export performance is lacking but there is no evidence that a campaign launched by the British Overseas Trade Board in 1987 to encourage small companies to export more has had any impact.

The creation of the Single European Market has produced a wave of government publicity about the need for British companies to increase exports but practical difficulties abound. "It is not enough to make exporters aware of the opportunities of the single market without helping them to do something about it," says Arthur White of Capital Financial Services, a Chislehurst, Kent consultancy.

Recent changes in government policy may even have damaged the ability of British firms to export.

Lydia van der Meer
Mike Smith: concerned that as his business grows, he may no longer be able to call on all the funds he needs for exports

The privatisation of the Export Credits Guarantee Department's short-term business – providing credit for up to two years – by means of a sale to NCM, the Dutch private credit insurer, has raised fears that rates will rise and some areas become uninsurable. But Colin Foxall, chief executive, denies that NCM has become "ruthlessly commercial" and says 80 per cent of NCM's 6,000 customers export less than £1m a year.

In addition, a decision to relate premiums for ECGD medium-term cover more closely to risk has pushed np premiums.

But equally damaging have been sharp and unpublicised cut-backs in the commitment of the banks to providing export finance for smaller companies, revealed in a survey* today in the magazine Export Today.

The survey shows that five of the leading UK banks have withdrawn their small exporter schemes over the last two years while Exfinco, a specialist in this field, shut down.

"There has been a huge unacknowledged reduction in the ability of the banks to provide support for exporters," comments Dunford. The banks have run down the departments providing export help for smaller companies, leaving customers to tha mercy of branch managers, many of whom lack specialist expertise. Some banks have begun referring export customers to their factoring subsidiaries.

National Westminster Bank withdrew its smaller exporters scheme in mid-1992 after suffering losses, though the scheme had signally failed to appeal to customers with only nine signed up over the five years it was operating.

NatWest is now working on a new initiative, says Andy Nemea, regional executive responsible for international trade.

It wants an off-the-shelf scheme with low administrative costs and a standardised method of assessing credit risk.

But it has learned that providing export credit insurance is not enough to guarantee against losses.

Most insurance schemes cover only 90 per cent of the risk while there are many reasons why cover may be rendered invalid: customers may forget to provide details of transactions to the insurer; exceed their credit limits; make deliveries outside the agreed dates; or fail to report payment delays. The bank must then try to recoup losses from its customer.

The only one of the big clearing banks to have maintained its smaller exporters scheme is Barclays. It has nearly 500 customers in the scheme, designed for companies exporting np to £2m. It provides export finance, normally at rates below standard overdraft rates, and 100 per cent credit cover for a 2½ per cent fee, reducing for volumes above £200,000.

Barclays, like many of the other banks which still run special schemes for small exporters, takes out block cover with NCM, effectively retailing this on to its own customers.

NCM itself reinsures 98 per cent of its risks in the commercial market. The government still guarantees cover in certain high-risk markets regarded as being in the national interest but it does not provide the blanket guarantee previously available to ECGD's short-term operations. This has reduced the value of NCM cover in the eyes of some of the banks.

But the recession and a growing volume of losses – up 170 per cent over the past five years – has reduced the willingness of the reinsurance market to provide cover. NCM acknowledges that the market is tighter than it has been though it says it has had no problems gaining reinsurance cover. Others are not so sure. "The government believes the private sector will provide reinsurance cover but there is not enough," says Campbell.

The difficulties involved in raising export finance mean that many small and medium-sized companies finance their exports from their overdraft and without insurance cover. This does not appear to be a sound basis for an export-led recovery.

Export Today, Tel 071 253 2545

How special export finance schemes for small business have fared since 1990

Financier	Still on offer
Barclays	YES
Bishopsgate Export Finance	YES
Clydesdale	YES
Co-operative	YES
Exfinco	NO*
Girobank	NO
Lloyds	NO
Midland	NO
National Westminster	NO
Northern	YES
Royal Bank of Scotland	YES
Bank of Scotland	YES
TSB	NO

Source: Export Today
* Wound up

The best places to go for help and advice

Where can the smaller company turn for advice and funding?

Advice and help with exports can be sought from the larger chambers of commerce with international expertise (notably London, Birmingham and Manchester) or from organisations such as the British Exporters Association (Tel 071 222 5419) and the Institute of Export (071 247 9812).

A number of banks still have smaller exporter schemes (see table) though not all local managers may be aware of them.

There are also a number of what are known as credit policy managers – companies which buy their credit insurance from, for example, NCM and then sell it on in smaller amounts. These include Credit Management Resources (081 647 3833), Clear-a-Debt (081 688 0141) and Intrum Justitia (0789 415181).

An exporter may make a direct approach to one of the factoring companies for a quotation. Most of the larger factoring companies are bank-owned.

Rates for export factoring services are typically 1-1.5 per cent for administrative charges plus 0.5-1 per cent for credit which the factor buys in from the insurer. Details of the main factoring companies are available from the Association of British Factors and Discounters (071 930 9112).

Companies could approach NCM direct (0222 824000) though it would not normally take on a company with exports worth less than £100,000, or Trade Indemnity, another leading credit insurance group (071 739 4311).

Several of the general insurance brokers have export credit insurance departments while the largest specialist broker is the Credit Insurance Association (071 235 3550). Smaller exporters are unlikely to have the volumes of business needed to justify using a broker. However, CIA would normally expect clients to have export turnover of £4m or more, says James Larkin, a director.

Exporters of this size could expect to pay premiums of 0.5 per cent of turnover though this could be lower for higher volumes of business or higher in high-risk markets. The level of premium charged would reflect the customer's competence in administering his export business, the credit rating of customers and ths countries in which he does business.

The very small exporter might find all of these routes barred, in which case he will need to deal on a cash basis with customers (only possible if he has a strong market position) or by means of credit card payments. Letters of credit could be used but they are a cumbersoma and costly process for smaller deals and do not provide complete insurance against loss.

هكذا من الأصل

BUSINESSES FOR SALE

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Financial Times
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London SE1 9HL

Motor Dealership
North London

Continental Motor Centre Limited (In Receivership) is an established motor vehicle dealership trading for over 30 years.
- Workshop facilities
- Current Fiat dealership
- Service and parts departments
- Purpose built premises on freehold site
- Annual turnover of £1.6m
- 14 employees

For further details contact the Joint Administrative Receiver:
Peter Flesher, Grant Thornton, Melton Street, Euston Square, London NW1 2EP.
Tel: 071 383 5100. Fax: 071 383 4077.

Grant Thornton
The U.K. member firm of Grant Thornton International. Authorised by the Institute of Chartered Accountants in England and Wales to carry on investment business.

A Kinghorn & Co Ltd
(In Receivership)
Lancashire

The company's main activity is in the manufacture of sheet metal machinery and providing a full back up maintenance support service.
- 24,000 sq ft freehold premises
- Fully equipped plant and machinery
- Annual turnover £0.5m
- Business established since 1911
- Established customer base

For further details contact the Joint Administrative Receivers:
Allan Griffiths and Malcolm Shierson, Grant Thornton, Heron House, Albert Square, Manchester M2 5HD.
Tel: 061 834 5414. Fax: 061 832 6042.

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Touche Ross

Deecrete Floors Limited
(In Administrative Receivership)
formerly Omnia Precast Concrete Limited

The Joint Administrative Receivers, Peter Bendall and Len Gatoff, offer for sale the business and assets of the above company.
- The company manufactures and sells precast concrete including 'OMNIA' concrete flooring systems.
- Nationwide customer base of construction companies including the largest PLCs.
- The company operates from a 5 acre site including offices and purpose built factory plus an adjoining 3 acre potential development site in Washington, Tyne and Wear.
- Long established company with experienced workforce and BS5750 accreditation.
- Recently installed up to date manufacturing plant and CAD system.

For further particulars please contact either Martin Jackson or Len Gatoff at the address below.

Deloitte Touche Tohmatsu International
93a Grey Street, Newcastle upon Tyne NE1 6EA.
Tel: 091-261 4111. Fax: 091-232 7665.
Authorised by the Institute of Chartered Accountants in England and Wales to carry on Investment Business.

Anglesey QCM Limited
Business For Sale

The Joint Administrative Receivers offer for sale the business and assets of the above North Wales-based company. Anglesey QCM Limited specialises in the design, manufacture and sale of children's clothes to well known major retailer multiples.

Principal features include:
- 13,000 sq ft of leasehold factory space, with possibility of further 12,000 sq ft available
- Skilled workforce
- *Targeted annual turnover of £3 million*
- Order book of £1.4million
- Fully equipped with modern machinery

For further information please contact:
M A Freeman, the Joint Administrative Receiver, or P J Bentley quoting ref: L5069
Levy Gee & Partners
Maxdov House
337 - 341 Chapel Street
Manchester M3 5JY
Tel: 061-835 2843. Fax: 061-832 9405

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GARAGE AND MOTOR DEALERSHIP
Dennis Marshall Limited

The Joint Administrative Receivers offer for sale the business and assets of this established West Norfolk based garage and motor dealership.

Principal features of the business include:
- turnover £1.1m in year ended 29 February 1992
- skilled and dedicated workforce
- new garage (completed February 1992) on approximately 0.7 acres, comprising forecourt, kiosk/shop, two new vehicle showrooms, workshop, stores and offices
- adjoining land approximately 0.5 acres, with OPP for two pairs of semi-detached houses. Possible alternative use as part of garage
- two major volume vehicle franchises.

For further information please contact the Joint Administrative Receiver Jonathan Sisson, at Coopers & Lybrand, The Atrium, St Georges Street, Norwich NR3 1AG. Ref: KJF/5C/211.
Tel: 0603 619425. Fax: 0603 631060.

Coopers & Lybrand is authorised by the Institute of Chartered Accountants in England and Wales to carry on Investment Business.

Coopers & Lybrand

Barr Thomson Engineering Ltd.
Glenrothes, Fife

The Joint Receivers offer for sale, as a going concern, the business and assets of Barr Thomson Engineering Ltd.

Principal features include:
- Subcontract quality machining and heat treatment.
- Turnover in excess of £4m.
- Blue chip customer base with substantial order book.
- Supplier to Mining, Oil & Gas and General Engineering Industries.
- Quality Approved to BS 5750/ISO 9002.
- Skilled and experienced workforce.
- Assets include a substantial freehold property, modern plant and machinery, stocks and work in progress.

For further information contact the Joint Receiver, Ian Murdoch, KPMG Peat Marwick, 24 Blythswood Square, Glasgow G2 4QS.
Tel: 041 226 5511. Fax: 041 204 1584.

KPMG Corporate Recovery

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HOTEL DIPLOMAT, Cardiff
84 beds, 48 en suite, restaurant (170), cocktail bar, 3 conference suites (270+). Manager's accomm. Freehold: £395,000.

GRAND HOTEL, Swansea
Opposite railway station, 33 beds, 2 bars, restaurant (36), coffee shop, function room/disco (220). Staff/owner's accomm. 99 year Lease at Peppercorn rent. Offers in region of £100,000.

CASTLE HOTEL, Merthyr Tydfil
Close town centre. 45 en suite beds, 2 bars, restaurant (60), function room (98). Staff/manager's accomm. Freehold: £325,000.

For details please contact:
Gerard Nolan or Simon Hughes on 071-486 4231

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The Administrative Receiver, David Emanuel Merton Mond FCA, offer for sale the business, assets and goodwill of:

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- Current Order Book £155,000.
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Further enquiries to:
O.E.M. Mond / L.I. Freedman
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George House, 48 George Street,
Manchester, M1 4HF.
Tel: 061 228 7444
Fax: 061 228 7356

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- Crossfield Scanner and other reprographic equipment
- Skilled workforce of 6

For further information contact the Receivers at Baker Tilly, 2 Bloomsbury Street, London WC1B 3ST.
Tel: 071 413 5100. Fax: 071 413 5101.

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For details, please contact
Barry Ward or Steve Watson
Pannell Kerr Forster
Virginia House, The Butts,
WORCESTER WR1 3PA
Telephone: 0905 610510
Facsimile: 0905 29006

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- *Turnover (audited) for 9 months ended 31 March 1991, Gillingham £713,003 and Stevenage £596,893.*
- *Turnover (unaudited) for the year ended 31 March 1992, Gillingham £957,800 and Stevenage £682,023*
- *Both premises are leasehold.*

For further details please contact the Joint Administrative Receivers of Sports &Leisure Developments Plc, A R Bloom and O H Hughes, Ernst & Young, 1 Lambeth Palace Road, London SE1 7EU.
Telephone: 071 931 3101 Fax 071 928 0425

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LEGAL NOTICE

Company number 939157, Registered in England
ROCK SERVICES (MIDLANDS) LIMITED
NOTICE IS HEREBY GIVEN, pursuant to Section 48(2) of the Insolvency Act 1986, that a meeting of the unsecured creditors of the above named company will be held at 11.00 am on Friday 22 January 1993 for the purpose of having laid before it a copy of the report prepared by the administrative receivers under Section 48 of the said Act. The meeting may, if it thinks fit, establish a committee to exercise the functions conferred on creditors' committees by or under the Act. Creditors are only entitled to vote if:
(a) they have delivered to us at the address shown above, no later than noon on 21 January 1993, written details of the debts they claim to be due to them from the company, and the claim has been duly admitted under the provisions of Rule 3.11 of the Insolvency Rules 1986; and (b) there has been lodged with us any proxy which the creditor intends to be used on his or her behalf.
Please note that the original proxy signed by or on behalf of the creditors must be lodged at the address mentioned; photocopies (including faxed copies) are not acceptable.
Signed: John F Powell
Joint Administrative Receiver
Dated: 4 January 1993

Advertisement of creditors' meeting under Section 48(2) of the Insolvency Act 1986
Company number 2398822
Registered in England and Wales
CYCLELAND LIMITED
NOTICE IS HEREBY GIVEN, pursuant to Section 48(2) of the Insolvency Act 1986, that a meeting of the unsecured creditors of the above-named company will be held at Melrose House, 42 Dingwall Road, Croydon, Surrey CR0 2NE on 20 January 1993 at 11.00 am for the purpose of having laid before it a copy of the report prepared by the administrative receiver(s) under Section 48 of the said Act. The meeting may, if it thinks fit, establish a committee to exercise the functions conferred on creditors' committees by or under the Act. Creditors are only entitled to vote if:
(a) they have delivered to me/us at the address shown above, no later than noon on 19 January 1993, written details of the debts they claim to be due to them from the company and the claim has been duly admitted under the provisions of Rule 3.11 of the Insolvency Rules 1986; and
(b) there has been lodged with me/us any proxy which the creditor intends to be used on his or her behalf. Please note that the original proxy signed by or on behalf of the creditors must be lodged at the address mentioned; photocopies (including faxed copies) are not acceptable.
Signed: N J Vooght
Joint Administrative Receiver

Advertisement of creditors' meeting under Section 48(2) Insolvency Act 1986
Company No 1686563
Registered in England and Wales
LINDFORM LIMITED
Trading as New Appointments Group
NOTICE IS HEREBY GIVEN pursuant to Section 48(2) Insolvency Act 1986, that a meeting of the unsecured creditors of the above-named company will be held at the offices of: Cork Gully, Orchard House, PO Box No 262, 10 Albion Place, Maidstone, Kent ME14 5DZ on Tuesday 26 January 1993 at 10.30 am for the purpose of having laid before it a copy of the report prepared by the Administrative Receivers under Section 48 of the said Act. The meeting may, if it thinks fit, establish a committee to exercise the functions conferred on creditors' committees by or under the Act. Creditors are only entitled to vote if:
(a) They have delivered to us at the address shown above, no later than noon on Monday 25 January 1993 written details of the debts they claim to be due to them from the company and the claim has been duly admitted under the provisions of Rule 3.11 Insolvency Rules 1986; and (b) There has been lodged with us any proxy which the creditor intends to be used on his or her behalf. Please note that the original proxy signed by or on behalf of the creditors must be lodged at the address mentioned: photocopies (including faxed copies) are not acceptable.
Signed: N J Vooght,
Joint Administrative Receiver
Dated: 5 January 1993

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Cheaper HDTV in view

Two products aimed at breaking through consumer resistance to high-definition television for home use were unveiled by Victor Co of Japao (JVC) last week. The company plans to launch a low-priced HDTV set and HDTV-compatible video cassette recorder in the Japanese domestic market by autumn this year.

Hnge investment in researcb and development of HDTV by Japanese companies, and the increasing volume of BDTV hroadcasting In Japan, have so far translated into very limited sales of HDTV sets, largely due to the probibitivaly high cost of models already on the market.

The cheapest HDTV set so far on sale in Japan is a Y1.3m (£6,800) model from Sony. Othar versions, labelled "Hl-Vision", are half-way houses between HDTV and conventional TV, using simplified decoders which produce picture quality better thao ordinary TVs but not up to full HDTV standards.

JVC says prodnction costs for its oew HDTV will be mncb lower because of the development of a smaller, simpler bnt fully-functional decoder requiring fewer integrated circuits. The new sets will go oo sale in Japan later this year, priced at less than Y1m, the level at which indnstry analysts have predicted that sales for home nse will take off. Howevar, supplies will reach the shops too late to take advantage of the boom in HDTV sales predicted in tbe run up to tbe wedding of tbe Japanese crown prince this summer.

Tbe HDTV video recorder is also to be sold cbeaply enongh to hreak into the mass market, at around Y600,000. Using technology known as W-VHS, the macbine splits HDTV signals to record them on douhle-track metal tape. The company stresses that In addition to making high-quality HDTV recordings, it can also play back existing VHS format recordings, and can record two conventional TV programmes simultaneonsly on the double-track tape.

JVC claims the videos will also be compatible with the next generation of HDTV broadcasting systems being planned around the world, not just with the current Japanese *Muse format.*

Bethan Hutton

Under siege

Massachusetts is fighting to maintain its position as a high-tech centre amid fierce competition, writes Victoria Griffith

As competition intensifies in the US to attract job-creating industries, the high-technology sector is being wooed from coast to coast. States like Michigan, Rhode Island, Texas and North Carolina are keen to lure companies, whlle the traditional centres of Massachusetts and California are striving to hold their own.

High-tech companies, which offer good pay and usually pose littla risk to the environment, are seen as particularly desirable additions to a local economy. Regional and state governments promise everything from tax breaks to rail links to convince tbese companles to locate within their borders.

This is good news for companies in sectors such as software, telecommunications and hiotechnology. But Massachusetts fears it may become a casualty of the battle. With an economy based largely on high-technology, the state has much to lose. Its redoubled efforts to maintain a hold on this area will be closely watched by competing states and bigh-tech companies alike.

In tbe heady 1980s, the computer sector in Boston led e growth surge so buoyant that it was confidently dubbed the "Massachusetts Miracle". Companies in fields such as computers, telecommunications and environmental technology came to account for some 15 per cant of employmeot (excluding snpport industries).

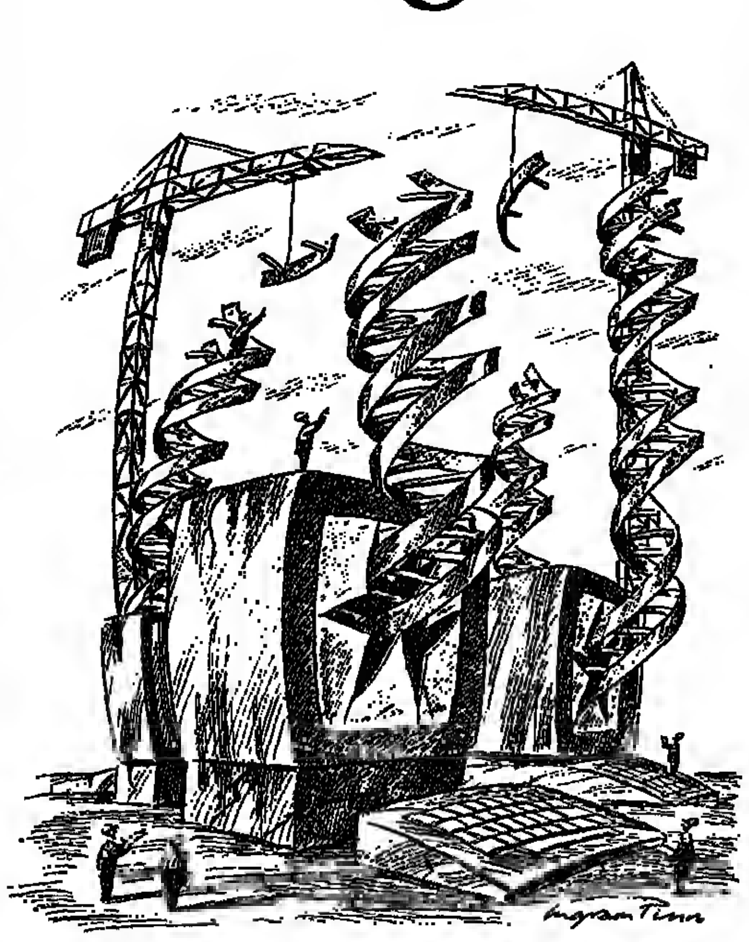
Overnight stars like Digital Equipmeot Corporation and Wang were the best known of the many new computer groups lining Route 128 north of the city. By the end of the decade, the area produced more computer chips than Silicon Valley.

During tbe last few years, though, New England's computer bubble has burst. The failure of Wang and troubles at Digital have highlighted the difficulties facing the industry, and the once thriving Route 128 is now little more than an old highway lined with empty offices. Since 1984, some 44,000 jobs have heen lost in Massacbusetts' computer sector, which now employs 287,000 people.

The pain of the industry's floundering has been partially countered by the emergence of non-electronics sectors. As in California, hiotechnology companies have helped Massachusetts to fill the yawning job gap left wben many computer companies closed their doors. Jobs in biotechnology have risen from virtually nothing to 14,000 in the past seven years, but still account for only 0.5 per cent of employment, thougb tbe total health sector (including biotechnology) makes up 13 per cent.

The possibility of losing the high-technology hattle was brought bome to the state a few months ago when one Massachusetts-based biotech group, Alpha-Beta Technology, announced plans to build a $31m (£20m) manufacturing plant in Rhode Island, wbich provided favourahle tax breaks.

"I think areas like Northern California and Massachusetts bad become very complacent about high-tecb," says Patrick Leonard, president of Massachusetts-based Cambridge Biotech Corporation. "Successful marketing from states like North Carolina has forced them to wake up and that's great for the biotech industry."



Massachusetts still has reasons to feel confident. Many of tba elements whicb triggered the growth of the computer sector, such as high educational levels and plenty of venture capital, have been successfully fed into biotechnology. Home to two of the most prestigious universities in the US, Harvard and the Massachusetts Institute of Technology, the state offers formidable advantages to high-technology companies in the researcb and development phase.

"Most of the high-technology companies started in Boston were formed with technology ideas out of academic researcb at Harvard and MIT," says Garen Boblin, cbief financial officer at Genetics Institule, founded by two Harvard professors. Finally, the universities provide entrepreneurs for the industry. Attracted by the quality of life in Massachusetts, many graduates opt to stay in the area.

Over the last five years, MIT graduates alone founded more than 100 high-technology companies in the state. Another advantage for tbe biotechnology sector is the large number of excellent hospitals in the area. "The well-developed bealth industry is especially helpful wheo we move to clinical tests," says Geoffrey Cox, senior vice-president of Genzyme Corporation, wbich recently dropped plans to leave the state.

Massacbusetts bas successfully transferred many of these resources from the computer sector to hiotechnology. Some biotechoology companies heve beguo to retraio former computer workers. "There is a lot of overlap, and not only In skilled workers. A lot of the equipment and infrastructure used in the computer Induetry, like clean rooms, is quite relevant to biotechnology," adds Cox.

Another resource shift has been in the area of venture capital. "A great deal of venture capital in the state has moved away from computers towards biotecb," says Ken Bate, chief financial officer of Boston-hased Biogen. "Boston bas always been dependent on high-tech industries, and is much more entrepreneurial and risk-oriented tban other cities in the US."

But Massachusetts' success in R&D does not necessarily translate into jobs in high-tech manufacturing. "Massacbusetts is a high-wage state," said Bate. "So at that stage, it faces stiffer competitlon from other regions." This presents a big problem for tbe area. "We can't build an economy on research alone," says Massachusetts governor William Weld. "We have to capture the manufacturing, the marketing and the sales staff, too."

To prevent the loss of more biotechnology manufacturing facilities, the Weld administration has announced several new initiatives. Among them are a capital gains tax phase-out and other tax breaks, and assistance in getting arouod bureaucratic laws.

Whether Massachusetts will succeed in its battle to hold on to biotechnology may still be doubtful. Other states are sure to give the region a run for its money and have enjoyed some success in luring companies away, as tbe Alpba-Beta example sbows. One thing is sure – tbe biotechnology industry will enjoy the fight.

Technically Speaking

Catching the pornographers

By Alan Cane

IF MEDIEVAL alchemists had succeeded in turning base metals into gold, what is the betting they would have blown the proceeds in the local brothel?

Humans seem to have an irrepressible urge to turn technologies developed for noble uses to baser ones. An obvious example is the videorecorder, developed to free people from the tyranny of broadcasting schedules, but now a primary tool of the pornographer. Satellite televisioo is another.

And when virtual reality – advanced computer simulations which encourage viewers to believe they are a part of the scene depicted – made its debut some years ago, what caught the public imagination first was the prospect of electronic sex.

Although this is a futuristic example of the potential use of computers in the sex industry, there is growing concern about a much less esoteric phenomenon – the dissemination of pornographic material either as computer diskettes or over computer networks.

Computer pornography is not a new issue; in the early days of personal computing there was justifiable outrage over the dissemination of crudely drawn computer games with sexist and racist themes. What is new, however, is the quality of the images that modern technology makes possible and the ease with which they can be disseminated, especially where young people are involved. Diskettes can be swapped in the playground; computer bulletin boards can be accessed by home computers. Regulation is difficult, if not impossible.

John Ashley of Greater Manchester Police, a specialist in obscene publications, says there is no pornographic image, still or moving, which cannot be captured on floppy disk or disseminated over a network. The computer pornography now being distributed in the UK seems to be coming from the traditional sources – the US and the Netherlands.

Is there a real problem and if so how serious is it? Yes, and very serious, according to Catherine Itzin of Bradford University whose book Pornography has just been published by Oxford University Press, and who is chiefly concerned with its social effects.

It is certainly serious enough for the Law Specialist group of the British Computer Society, the chartered institution for information technology specialists, to have set up a consultative group to examine two questions: first, are there technical answers to the problem of regulation? Second, what are the legal implications of pornography in this form and are changes in the law required?

The BCS, aware that what is pornographic can often be a matter of opinion rather than fact, is directing the thrust of its campaign towards the protection of young people. That computers have become a medium for pornography is not in itself of any more significance than the more traditional use of books or films. But computing has special characteristics.

Ron McQuaker, BCS vice president responsible for professional affairs, argues that a diskette is unlike a magazine or a videotape; its contents are oot obvious and it can be protected by passwords; it can be programmed to self-destruct if the wrong key is used.

Furthermore, parents, who may well have encouraged their children to become computer-literate, are less likely to be aware of the uses to which their home computers are being put.

Ashley and Itzin believe it is impossible at preseot to regulate computer pornography. Ashley, indeed, does not foresee any technical developments which will improve matters. His approach is to prosecute when he can, and he believes it has a salutary effect.

There is no real answer, technical or otherwise, to the issue of pornography apart from changes in social attitudes. In that sense, Itzin's approach may have more long-term influence than that of the BCS. But a technical trap for pornographers might open the possibility of catching virus writers and others who misuse computer systems. It is an avenue of research well worth exploring.

Cement cartel court setback

EUROPEAN LAW

The European Court of First Instance has dismissed judicial review applications challenging the legality of the Commission's competition procedure against the EC cement industry.

The CFI held the applications were inadmissible as being premature.

The procedural challenges were brought by four cement producers or national associations at an unusually early stage in the formal procedure initiated by the Commission in November 1991.

On the basis of documents obtained during investigations of business premises and following formal requests, the commission concluded that European cement producers and certain national and international trade associations were operating a cartel at national and international level to share out member country markets, keep them separate, and limit imports from within and outside the EC.

A statement of objections was sent to all parties, accusing them of infringing EC competition rules.

It dealt with allegations concerning conduct at international level separately from that at national level. Although it was a single document, the full text was not sent to all 76 parties. The factual and legal assessment chapters dealing with individual national markets were sent only to producers and associations in the member country concerned. All parties received the text dealing with allegations at international level plus a full table of contents and a list of documents on the file indicating those to which access was available.

The two main grounds for challenge concerned the Commission's infringement of the parties' rights of defence, by refusing, first, to disclose all the chapters of the statement of objections and, second, to grant them access to all non-confidential documents in the Commission's file.

The refusal of full access to the file concerned two types of documents: documents relating to national markets available only to those directly concerned; and those documents relating to objections notified to the parties which were, in the Commission's view, covered by the EC rules on professional secrecy since they were obtained in the exercise of the Commission's investigation powers and were not used against the producer or association to which the objections were addressed.

The CFI restricted the case to the issue of admissibility. Following established principles, the Court said that when a procedural step concerned the rights of defence, it could only be overturned if it vitiated the final decision taken at the end of the administrative procedure.

Only measures immediately and irreversibly affecting the legal situation of the parties concerned could justify the admissibility of an annulment action before completion of the administrative procedure. Even though they may constitute an infringement of the rights of defence, Commission measures refusing access to the file were merely preparatory steps the illegality of which could be raised in appeals against the commission's final decisions, while still providing sufficient protection of the rights of defence.

Full access to the file

More importantly, the Court clarified the scope of the right of access to the file as a matter of substantive law repeating its interpretation of the Commissions' policy on access to the file in its 1991 judgment in Case T-7/89 Hercules v Commission:

"the Commission has an obligation to make available to the undertakings involved in article 85(1) proceedings all documents, whether in their favour or otherwise, which it had obtained during the course of the investigation, save where the business secrets of other undertakings, the internal documents of the Commission and other confidential information are involved."

The Commission may wish to use the opportunities afforded by its administrative procedures to reconsider its approach to access to the file in the light of the CFI's views. Moreover its interpretation of the rules on professional secrecy as extending to all information obtained by the Commission pursuant to its powers, and not used against a party, raises a question of law which has not yet been decided by the Community judicature.

Joined cases T-10/92, T-11/92, T-12/92, T-15/92, SA Cimenteries CBR, Blue Circle Industries, Syndicat National des Fabricants de Ciments et de Chaux, Federation de l'Industrie Cimentiere v Commission, CFI 2CH, 18 December 1992.

BRICK COURT CHAMBERS
BRUSSELS

Revolution sweeps fees

The recession has given the client the whip hand in terms of designing flexible charges, writes **Robert Rice**

In September last year Mr Philip Lacovara, general counsel of Morgan Stanley & Co in the US, sent this message to 85 law firms regularly used by his company: "We no longer want to assume that the typical matter will be handled and billed on a time-based arrangement. Instead, the basis for legal billing on new matters will be shifted from hours-based fees to more flexible and varied 'value-based' engagements.

"Therefore outside counsel [law firms] will be expected to consider agreeing to use various alternative billing methods such as fixed fees, fixed fees plus a contingency, reduced hourly rates plus a contingency, blended hourly rates, volume discounts and multi-stage billing."

Morgan Stanley is not alone. Several American businesses are now sending engagement letters or instructions to their lawyers, setting out what they are and are not prepared to pay for.

Citicorp recently sent a 15-page letter to more than 100 firms which the firms must sign if they expect work.

The Aetna Casualty and Surety Co of Hartford, Connecticut, now provides all its outside counsel with a guide to alternative billing methods and requires them to propose discounted hourly rates or alternative charging when pitching for a piece of work.

British companies worried that they may be paying too much for legal services should take heart. The recession has changed the market place. Companies can now exert a greater influence on the legal services which they purchase and on what those services cost.

The shift from a supply and asset driven environment to a demand-led one means that the value of legal services is increasingly determined by the client and not, as formerly, by a law firm's hourly charging rates multiplied by time spent.

Most law firms accept the need to be flexible. Mr John Grieves, senior partner of City of London solicitors Freshfields, concedes that the market place has changed and that fees and methods of charging have become a significant topic of discussion with clients during the last 18 months.

In the 1980s, the priority for clients and law firms alike was to complete the transaction as quickly as possible. Human resources were at a premium: get the people in and get the job done was the message; the cost was secondary. Now, he says, costs are a priority: "Clients want value for money. We have to tailor our services to clients' needs."

The new approach to fees sometimes called "value billing" equates the amount a law firm can charge for its services to the value placed on a particular piece of work by the client. High volume, low value work which any number of firms can do will be very price sensitive. The client is able to drive a hard bargain. At the other end of the scale, work which is unique and of the highest value to the client will be price insensitive as only a handful of lawyers may be capable. Here the law firm has the upper hand and may charge premium rates.

"I'M PREPARED TO LET YOU HAVE YOUR VEST BACK, MR SMITH."

Value billing as a concept has been around for years, but a by-product of the search for better value for money, and of the recession, has been the development during the last two years of alternative methods of determining fees.

Law firms recognise that, to give value, they have to respond to requests by clients to determine a method of charging which is not so heavily reliant on the hourly rates charged by individual lawyers working on a job and the number of hours they spend on it.

Clients expect law firms to take some of the risk of ensuring services are provided most efficiently. Alternative billing, or charging, is all about who bears this risk.

The alternatives are in theory infinitely variable, limited only by the willingness of the law firm to experiment. There are, however, several commonly used alternative methods of billing which businesses may wish to explore.

Fixed fees. A fixed fee for a job negotiated in advance. If the law firm can staff a job more efficiently and reduce the time spent on the work to a minimum, it will make a profit on the job. If it cannot, it will lose money. The cost of inefficiency falls on the law firm, not on the client.

Fee caps. Setting the maximum a client will pay for a job, expressed as a maximum fixed fee or as a maximum number of hours that the client is prepared to pay for.

Result-based bonuses or success fees. These are related to whether the firm achieves the outcome sought by the client or brings the job in below a budgeted maximum. A firm agrees to a reduced fixed fee for the work or to reduced hourly rates with an uplift or bonus for a successful outcome. The lawyer and the client must determina what constitutes a successful outcome. Bonuses can take several forms: a percentage of the fees or damages saved, or of the profits from a successful transaction.

These types of result-based fee arrangements are sometimes called contingent fees. They vary from the "no win, oo pay" contingent fee arrangements used in litigation, in that the law firm always receives some form of basic payment for the work whatever the outcome. Sucb contingent fee arrangements for non-contentious work are not outlawed in the UK.

Budgeted fees or multi-stage fees. An overall budget is set for the job or different budgets are set for stages of a job. Multi-stage fee arrangements are generally related to transactional matters. Clients may agree that the first stage of the transaction will he paid at a reduced hourly rate, which will rise by an agreed percentage every time a trigger point or a different stage of the transaction is reached.

Several alternative billing methods are still tied to the amount of time spent on a job by tbe law firm and are really variations on tbe standard practice of hourly hilling.

The most common form of alternative rate hilling is the blended rate: a uniform hourly rate for all the lawyers working on the job, irrespective of their level of seniority or experience. The blended rate will be agreed betweeo the law firm and the client before work starts and is generally lower than the average hourly rate charged hy partners and above the rate charged hy trainees or newly qualified lawyers. For the top City law firms, an average hlended rate might he somewhere in the region of £150-£160 an bour.

Discount billing calculates legal fees using reduced hourly rates for lawyers working on a project. Firms may also agree to charge standard hourly rates but offer a percentage discount on the final hill.

Some firms may also offer volume discounts where they will agree to work at reduced hourly rates or to reduce the overall bill in return for a guaranteed volume of work.

Premium billing is closely associated with bonuses and success fees. If the project is successful, the firm will charge fees higher than its standard hourly rates. If the transaction falls through, the firm charges reduced rates. Premium rates are often calculated as a percentage of standard rates.

Companies are likely to find that their lawyers are prepared to discuss most forms of alternative charging arrangements. If they are not, the client has the option of taking his custom elsewhere. The recession has given businesses the whip hand in the fees debate.

LEGAL BRIEFS

Top rate league table calls for clarification

The US National Law Journal's recently published annual hilling survey may throw welcome light on the question of whether the UK's top commercial law firms are the world's most expensive, charging more than $200 an hour in excess of their Wall Street counterparts. The International Financial Law Review 1000, which began the debate, credited partners in the most expensive Wall Street firms with a top hourly rate of $350 an hour. According to the NLJ survey, that appears a serious underestimate. The highest hourly rates for partners in New York City firms were steady last year at between $400 and $450, with some firms billing higher (Lord, Day and Lord $475, for example).

The highest hourly rate reported to the NLJ was $500 charged by senior partners at Atlanta's Kilpatrick & Cody. The IFLR 1,000 figures seem to reflect the top rates charged by partners in Los Angeles, Washington DC, Dallas, and Chicago. Several Chicago firms (Winston and Strawn $450, for example) now however charge New York rates.

Ham imprimatur

New EC food registration regulations due in July should comfort Parma ham producers who last year failed to stop Marks and Spencer selling their famous ham, according to London solicitors Lewis Silkin. The regulations, similar to the French appellation controlée scheme for wine, offer registration and certification to producers of cheese, sausages and beer traditionally associated with particular areas. The most exclusive tag will be Protected Designation of Origin followed by Protected Geographical Indications and Certificates of Special Character.

PEOPLE

Sherlock takes to the road

Peter Sherlock, who resigned suddenly from Bass last year, has been picked to sncceed Jack Mather as chief executive of NFC. Mather, chief executive of the transport and logistics company since 1984, is retiring for health reasons. He underwent heart surgery three years ago and told the board last year he wanted to step down early. Now 56, he will leave after next month's annual meeting.

Sberlock will be tbe most senior outside appointment to NFC's board since its employee led buy-out from the government in 1982. According to James Watson, the chairman: "The culture [of employee ownership] will be preserved, but Sherlock will be bringing in a new perspective; he is a man of great energy."

Sherlock, 47, started with Bass in 1972 and joined the hoard in 1988. He built up Bass's leisure division before moving to the company's Holiday Inns botel operations in the US. He resigned in October, apparently unhappy with the change.

One of his first jobs will be to take part in NFC's annual strategic review which is just getting under way, althougb Watson says NFC's hroad strategy is well established and no big changes are likely.

After leaving Bass, Sherlock was appointed a non-executive director at Allied Leisure last November.

Inchcape loses family ties

The retirement of Lord Tanlaw, 58, as a non-executive director of Inchcape, means that the direct ties between the company and tbe family of James Lyle Mackay, the first Lord Incbcape, have heen almost completely severed.

Lord Tanlaw, the current Lord Inchcape's half-brotber, joined the family firm the year after its shares were quoted on the London stock market. After six years in Calcutta and the Indian subcootineot, Simoo Tanlaw was appointed a director in 1966.

He became a non-executive director in 1971 after he was elevated to the peerage. During his time at Inchcape he was involved in the group's merger witb the Borneo Company, which took it into vehicle distribution (now Inchcape's biggest business) and also the creation of the Gray Dawes Bank.

Lord Tanlaw has decided to retire in ordar to devote more time to the development of Fandstan Electric – his own group of railway engineering companies. The current Lord Inchcape, 75, who headed the company betweeo 1958 and 1982, remains life president hut no longer has a seat on the board.

Singer & Friedlander

■Singer & Friedlander, tbe investment banking firm, is setting up a capital markets subsidiary to be headed hy Timothy Lyons and Jonathan Stolerman.

Lyons and Stolerman both worked at Prudential-Bache, where they set up a "special transactions gronp" in 1988-89, working on international arbitrage deals. In 1990, tbe duo moved to Sec Pac Hoare Govett, and in August 1992 they set np their own husiness called Marlborough Corporate Finance.

Lyons and Stolerman will initially work with two other associates, in addition to their support staff. Singer & Friedlander Capital Markets aims to specialise in strnctnred finance, including debt securitisation.

Departures

■ Richard Martin has retired from ALLIED-LYONS but continues as chairman of A-L Pensions Services and A-L Trustee Services.

■ David Blore has resigned as a director of P-E INTERNATIONAL.

■ David Nichol is retiring from IVORY AND SIME to concentrate on his personal interests hut will remain a director of Pacific Assets Trust. Alan McFarlane has also resigned.

■ Robert Fraser has retired from JAMES FINLAY.

■ Robert Shepherd, deputy chairman, has recently undergone heart surgery and is retiring from PENTLAND GROUP.

■ Robert Sheargold has resigned as a director and company secretary of NOVALAL.

■ Trevor Slater, director of the property division of TILBURY DOUGLAS, has resigned.

■ Michael Cooke has resigned from MICROVITEC.

■ Alan Hobday has resigned from BIMEC INDUSTRIES.

■ Brian Limb has resigned from the GLOBAL GROUP.

■ Glyn Morris has resigned from ELECTRA INVESTMENT TRUST to pursue his personal interests.

■ James Allison has retired from HOWDEN GROUP.

■ John Menzies has resigned from PERSONAL ASSETS TRUST.

■ Peter Robinson has resigned from ASH & LACY.

■ Gerard Litten has retired from BRITISH MOHAIR HOLDINGS.

■ John Lusher has retired from MARKS AND SPENCER.

■ Arthur Geiger has retired from HADEN MACLELLAN HOLDINGS.

■ William Cottle, vice-president international of DICTAPHONE has retired.

■ Terence O'Neill has retired from GLYNWED INTERNATIONAL.

■ Clive Sherling has resigned from LOWNDES LAMBERT GROUP HOLDINGS.

■ Alan Isherwood has retired from JN NICHOLS (VIMTO).

■ Steve Hallett has resigned from BIRSE GROUP but will continue to work as an executive director of Birse Construction until February.

Sir Michael Edwardes squashes in another job

Hi-Tec Sports, the sports shoe designer and distributor whicb has seeo its share price collapse from 208p last May to 30p curreotly, has lured former Britisb Leyland boss Sir Michaet Edwardes on to its board as a oon-executive director. This follows tbe retirement of Gordoo Dunlop, Britisb Airways fioance director between 1983 and 1989, last November at the age of 64.

Frank van Wezel, chairman of Hi-Tec, says he had got to know Edwardes via the latter's presidency of the Squash Rackets Association as well as of the Veterans Squasb Club of Great Britain.

"He has been very prominent in figbting to give squash a higher profile," according to van Wezel, wbo ootes that 62-year-old Edwardes is these days on the courts five times a week. Hi-Tec sponsors the British Opeo Championships io squash.

Van Wezet says he goes for tbe Edwardes "no-nonsense, direct approach" and is looking forward to his contributioo to company direction after what he describes as Hi-Tec's *annus horribilis*.

After a year of bruising price wars in the UK market with Nike and Reebok, van Wezel ctaims tbe order books are "tooking healthy again, and at a decent margin. Sir Michael comes at a time whan I feel we have hit the bottom".

While Hi-Tec bas traditionally had only one non-executive on its board, van Wezel says he is now looking for a second outside director. "We have all read Cadbury...," he says.

ARTS

Gedeminas Taranda makes a fine brigand in 'Corsaire', but the company is not helped by the shape of the stage

London gets a diffused view of the Bolshoy

This company needs full-length ballets to do justice to its talents, says **Clement Crisp**

Ludicrously hyped as "the dance event of the century" – not even the Bolshoy's stunning first visit to London in 1956 deserved those laurels – this appearance by Moscow's pride at the Albert Hall is an exercise both welcome and exasperating. There is nothing especially notable about large balletic spectacles. The Bolshoy has played in huge arenas before (though not in Britain); Maurice Béjart took his troupe to vast sports stadia in Berlin and Mexico, and even the tented Grand Place in Brussels. Under the aegis of the Entertainment Corporation, the Bolshoy and the Kirov played "popular" seasons – and very successfully so – in a tent in Battersea Park and in halls in Dublin and in Islington. Ballet has also been well presented at the Albert Hall: two decades ago we saw Festival Ballet with some Kirov stars in fascinating performances.

What Derek Block, impresario of this present venture, has identified is a public taste for the artistic gigantism that has lately produced arena opera here, and which is seen in Moscow in the balletic spectacles at the Kremlin Palace, and in Paris at the Palais des Congrès and the Palais des Sports. Since London can offer no stage suitable for the grandiose effects which are part of the attraction of such shows – and it is worth recalling that the Entertainment Corporation planned a theatre for just such events five years ago – the Albert Hall has been converted for the occasion.

The result, as I saw it on Sunday night, is curious. The organ is hidden behind a mock-up of the Imperial box at the Bolshoy Theatre, with a cluster of surrounding loges to form a convex screen. The curtains of the box are drawn back to suggest a distant false proscenium behind which pieces of scenery can be placed and dancers can stand or make entries. The effect is disorientating. Are we gazing at the box (if so, we are on stage at the Bolshoy) or is the box back-stage for us to view as members of the public? In front of this tease there projects a large apron stage which occupies about half the promenade, while the orchestra takes up the remaining space. Surrounding this on three sides is placed the audience.

The generous dance area, which will allow the Bolshoy style that freedom of movement it knows at home, and the fine acoustic for the BBC Concert Orchestra who are the musicians of the season, are a real advantage. But it is one largely dissipated by two inescapable facts. Ballet is an art designed for a proscenium arch. It is framed, shaped, focused by our view through that magic opening. And choreography and dance interpretation are orientated to the stage's confines, are created for a head-on view by an audience and are conceived as having a central point of interest. (Balanchine theorised about this, and identified problems attendant upon peripheral dance activity).

In Sunday's performance, the choreography – spread over the stage so that the encircling audience might feel that they were seeing the Bolshoy dancers, and even the ballets named – was dispersed as if by the gales blowing outside the hall. Action, dance-interest, characterisation, were diffused. As an aid to incomprehension, the programme, like most of the offerings in this season, comprised "suites" abstracted from full-length ballets. The cursory notes in the £10 souvenir books could be little aid to understanding for new-comers to this repertory, and I infer that the season seeks to bring in a fresh audience – whether for ballet or for the idea of "spectacle" is less clear.

The Golden Age suite comprised part of the ballet's second act, without much indication of why Rita was by turns slinky and lyrical; the *Corsaire* suite offered pirate dances, a first act duet, and part of the *Jardin animé*. The *Romeo and Juliet* suite took us from the ball-room, by way of the balcony pas de deux to the deaths of Mercutio and Tybalt and left us with Lady Capulet behaving like Mrs Vincent Crummles. Abbreviation or bowdlerisation? Yury Grigorovich has made every attempt to vary the direction of the dance-action – the Bolshoy's artists race down the aisles between seats, as well as from the entrances provided by the stage, and manage to emote sideways – but sight-lines must inevitably be curious, and the theatrical logic of the performance uncertain.

The rewards – and I suppose the management's justification – of these performances lie in the fact of the Bolshoy's power as a dance troupe. Certainly the ensemble looks strong, youthful, and audiences can say they have "seen the Bolshoy". Physically, yes. Artistically, I am less than certain after this first evening. The genius of the Bolshoy has ever lain in a double strength: in the impassioned energies of a style where academic distinction was not swamped by an exultant manner that enabled emotion to speak eloquently to us.

They danced – and we believed in the drama, and the dance. But to know these qualities at their truest we need to see the troupe involved in whole ballets, in the theatrical surroundings for which they were intended, and focussed upon superb central interpretations. From Ulanova in *Giselle* and Vasiliev in *Spartacus*, to Bessmertnova and Mukhamedov in *Golden Age*, and the ensemble in *Swan Lake*, we have seen great dancers in major works of art. I do not think for an instant that those days are gone for the Bolshoy, but few of the interpretations I saw on Sunday night could triumph over the surroundings.

The Golden Age principals looked coarse, unconvincing – though Alexey Popovchenko, as the villainous Yashka, is clearly an interesting artist. I hope that later performances will allow us to see something more from Nadezhda Gracheva (whom we first knew as a student with the Bolshoy Academy) than the blatant stylist – balancing inelegantly, legs at six o'clock – of *Corsaire*. She has beautiful qualities, and hectic bravura clouds them. The most touching interpretation came from Inna Petrova as a Juliet of child-like sweetness and delicate grace, and it was the street brawl of this *Romeo* suite, pouring over the thrust stage, that made the best choreographic sense of the evening. Among the character performances I salute Yury Vetrov as a wonderfully degenerate bourgeois in *Golden Age*, Gedeminas Taranda as a pistol-packing brigand in *Corsaire*, and Andrey Buravstev as a bounding Mercutio. About further programmes – and implications – I hope to report soon.

The Bolshoy Ballet season continues at the Royal Albert Hall until February 14. Programming varies nightly.

Opera in Chicago

Pelléas and Mélisande

Something is stirring: more, surely, than the simple centenary of the original Maeterlinck play. The present abundance of productions of Debussy's opera suggests a deeper reverberation from one *fin-de-siècle* to the next, the new version at the Chicago Lyric Opera does not want to tell us very much about what the echo might be.

Robert Israel's designs helpfully suggest realistic people in a non-realistic place: the suits and long dresses are sober, the palace of Allemonde holds at a moment of shock, with a panelled drawing-room wall about to topple into a forest of slender pillars, behind which a band of ultramarine is an abstract sea under photographed clouds.

But the production, by Frank Galati, sentimentalises the action towards exactly the kind of bourgeois anecdote Debussy wanted to avoid and has the characters looking as if they've been mislaid by Noël Coward. Pelléas stands around not knowing what to do with his hands; Mélisande bunches her shoulders in sobs at the end of the tower scene.

Slap against the literalism, however, is the doubling of the role of Yniold, who is acted by a boy but sung by a woman, and not from the wings but right there on stage, in costume, as if the lady were his nurse telling hime what to say, while everyone else – and especially Golaud in his most crucial scene of his jealousy – has to pretend she is not there at all. In a different sort of production this could have been a powerful device; here it is just awry.

Other strange mistakes include the restoration of a scene Debussy cut from the play – that of the servants washing the castle, done in dumbshow during the prelude and the dropping of symbolical objects from the flies: a golden caravel when Pelléas and Mélisande are watching a ship depart, or a horse to bring home the point about Golaud's riding accident, or a Margritte-like floating rock for Yniold's solo (here, of course, dno) scene.

Many of the production's problems may have to do with the vast scale of the Civic Opera House, which makes it necessary for the singers to face the audience squarely at all times in order to be heard. And heard they are. Both Jerry Hadley and Faith Esham, in the title roles, created the proper effect of a musical recitation, with every word audible, and every phrase a union of melody and verbal sense.

Mr Hadley brought a lyric tenor's freshness to the upper shoots of his part, and had no problems in the more baritonal territory. Ms Esham had the natural purity needed for Mélisande: a grace without affectation, a voice that swims. She also moved well and looked good, with the help of excellent wigs. Victor Braun affectingly presented Golaud's frustration with a sixty gnash of desperation at moments of extremity; others in the cast included Yvonne Minton with her Geneviève as generous as usual.

James Conlon, the conductor, seemed still to be feeling his way at the opening night, though he too had his task made almost impossible by the size of the theatre. Orchestral points have to be urged across, with the result that it is difficult to maintain the often necessary sense of two tempos happening at once, or to leap across the air from one shape to the next.

The most successful act was the fifth – perhaps just because it was the last, or more likely because the musical situation here is one more simply of a slow inevitability being rocked and racked by Golaud's urgent wish, even at the last, to understand.

Paul Griffiths

'The Marriage of Cana', plus a full scale X-ray photograph, is now on view again at the Louvre

Veronese's 'Marriage at Cana' restored

Paolo Caliari, called Veronese after the city of his birth, died in his house at Venice in 1588, at the age of 60. High on the wall in the modest back-street near S. Samuele, is an equally modest inscription: "Paolo Veronese". It runs, "Sovereign Painter of Venice, Triumphant and Immortal Master through the changing centuries..." Quite an epitaph in the city of Carpaccio, Bellini and Giorgione – with Canaletto and Tiepolo to come – for one who was but the junior of Tintoretto, who outlived him, and above all of Titian, by some 40 years his senior who had died only ten years before.

So were the Venetians right about him all the time, and we so wrong? For while his work has always been inescapable, in the great churches and palazzi of Venice and all the major museums of the world, it has long been more respected than truly celebrated, a phenomenon before which to stand more in awe at his facility and scale than in astonishment and delight at its proper qualities.

He is far from being alone in this respect, for sadly this modern age tends to distrust, and so discount, the conspicuous demonstration of skill. How flashy, decorative or self-indulgent, we say, and what a pity it is that such an obvious talent does not take itself more seriously. The pure hedonistic thrill of enjoying consummate mastery has long been lost on us, and the loss is ours.

To stand now before the vast "The Marriage at Cana", that Veronese painted in 1563 for the refectory of Palladio's rebuilt S. Giorgio Maggiore, is to acknowledge the gratuitous foolishness of the mistake. Some 6.7m high and 10m across, it is an astonishing object, carried through with, to us, an unimaginably easy grace, amplitude and confidence. Veronese was 35 when he did it, the first in a sequence of similarly vast banquet scenes ended, some ten years later, with "The Last Supper" for SS. Giovanni e Paolo, and with Veronese himself hauled before the Inquisition to answer for his blasphemous realism. That work, now in the Accademia at Venice, he judiciously retitled "The Feast at the House of Levi", which got him off the hook.

"The Marriage at Cana" has enjoyed a chequered history – appropriated by Bonaparte at the fall of the Venetian Republic in 1797; rolled up and shipped back to Paris, unpicked at the seams and split in two. Restored at intervals ever since, it was packed off to Brest for safety during the war of 1870 and nearly lost in a railway siding *en route*; left alone in the Louvre from 1914 until 1918; sent off again in 1939, first to Chambord, on to Montauban, then back to the Louvre in 1942. Now, after definitive restoration that has kept it hidden since 1989, it is on view once more in the Louvre's *Salle des Etats*, where it has hung since 1951.

Where once it suffered the turned backs of tourists crowding around the "Mona Lisa", which has been removed elsewhere, it now rightly commands something like the grand public space for which it was intended. On either side hang other works of Veronese, and of his followers, along with related works and documentary displays. But the great spectacle is supplied *en face* by the full scale analytical X-ray photograph that, mounted, fills the far end of the gallery.

Here, in an oddly expressionistic chiaroscuro, is revealed the technical and practical history of the painting, the cuts and seams, the nails and struts of the canvas and its supporting frame, the paint-loss and the repairs, and all overlaid by the painting's vestigial architecture and the ghostly, complex choreography of its figures. It is here, with the tell-tale traces of what they call the *pentimenti* and *repentirs*, the underpainting and changes-of-mind, that the art historians get so excited. Look, they say, a viol has been shifted an inch or two, a bead turned or dropped, an arm raised, a leg swung nearer the vertical.

But it is hardly news that a work of art should change in the process of its execution, that the amplification of a design should lead to modifications of scale or visual emphasis, that the artist's first ideas of composition or gesture should not be quite the best. Art was never a simple matter of the original concept, fixed in an instant and forever.

For an artist, the astonishment and excitement felt before this extraordinary work rest rather on the converse discovery that the changes are so few and minor, matters of the merest adjustment and refinement. Veronese would seem indeed to have got it more or less right first time. And we return to the painting as it is, more alive than ever to what has been done on the actual surface of the canvas – the marks made, the lightness of touch and open vigour of the drawing – that together bring alive to us across the centuries this vast, complex, ideal scene.

The music plays, the servants pass up and down, the hounds strain and fret as they always did. Is the colour brighter than before, the brocades richer, the cheeks of the guests more red, Christ's fixed outward gaze a little warmer in its intensity? Perhaps it is. Something is always lost to a restoration, to little obvious gain, save only that the work should survive the longer. It is an old and unresolveable argument – a removal of a layer of dirt or discoloured varnish here, the subtlest of glazes there. The restorer's art was never precise, for all its present carapace of scientific means and method.

"The Marriage at Cana" remains still a work of wonder and the greatest beauty. "What, they lived once thus at Venice where the merchants were the kings,/ Where St Mark's is, where the Doges used to wed the sea with rings?"

William Packer

'Les Noces de Cana de Veronese: A work and its restoration'. The Louvre, Paris, until March 29: sponsored by ICI France

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INTERNATIONAL ARTS GUIDE

■ AMSTERDAM

Concertgebouw 20.15 Walter Boeykends Ensemble plays chamber music by Schubert and Beethoven. Tomorrow and Sat: Netherlandsmber Orchestra plays Vivaldi's Four Seasons. Thurs and Fri: Riccardo Chailly conducts Royal Concertgebouw Orchestra in works by Shnitka, Shostakovich and Nono. Sat afternoon: Valery Gargiav conducts works by Tchaikovsky and Debussy. Sun afternoon: Tchaikovsky programme with Minsk Philharmonic Orchestra. Sun evening: Louis Lortie piano recital. Mon: Manhattan String Quartet. Next Tues: Robert Holl song recital (6718 345). Next Tues at Beurs van Berlage: John Adams conducts world premiere of his new chamber symphony (6270 466)

Muziektheater 20.00 Oliver Knussen conducts Pierre Audi's new staging of Harrison Birtwistle's opera Punch and Judy (also Jan 14, 17, 20, 24, 26, 29). Jan 25: first night of Richard Jones' new production of Der fliegende Holländer. Jan 27: first of four performances by Nederlands Dans Theater (6255 455)

■ BRUSSELS

Kleist's play Amphytrion opens tonight at Théâtre National, and runs daily except Sun and Mon till Jan 30 (217 0303). Philippe Harreweghe conducts a Purcell evening next Mon at the Conservatoire Royal de Musique (507 8200). Peter Mussbach's production of Janáček's From the House of the Dead is revived next Tues at the Monnaie, and runs till Feb 2 (219 6341)

■ CHICAGO

CHICAGO SYMPHONY

Daniel Barenboim conducts Elgar's Cello Concerto (Allison Eldredge) and Bruckner's Fourth Symphony tomorrow and Fri at Orchestra Hall. Thurs, Sat and next Tues: Tristan und Isolde Act 2 with Siegfried Jerusalem and Waltraud Meier (435 6666)

CHICAGO LYRIC OPERA

Lucia Mazzaria and Giuseppe Sabbatini star in La bohème on Sat and next Fri at Civic Opera House. Jan 23: first night of new production of Das Rheingold (332 2244)

■ NEW YORK

JAZZ

Spyro Gyra, one of the most successful groups in contemporary jazz, plays this week at the Blue Note Jazz Club and Restaurant. The group, led by Jay Beckenstein, has sets at 21.00 and 23.30 daily till Sun (475 8592)

■ PARIS

OPERA/DANCE

Tomorrow and Sat (also Jan 19, 22, 25) at Opéra Bastille: Elektra, with Jenia Martin and Gwyneth Jones alternating in title role. Jan 20: revival of Un ballo in maschera. Jan 30: revival of Les Contes d'Hoffmann (4001 1616). Next Tues at Théâtre des Champs-Elysées: St Petersburg National Opera opens two week season with a staging of Tchaikovsky's Iolanta (4720 3637). Impressions de Pelléas, Peter Brook's Debussy adaptation, runs daily except Sun and Mon till Jan 23 at Théâtre des Bouffes du Nord (4607 3450). Jan 19-29 at Opéra Comique: William Christie conducts Les Indes Galantes (4286 8883). Jan 19-24 at Palais Garnier: Paul Taylor Dance Company (4742 5371)

CONCERTS

Tonight at Châtelet: David Robertson conducts Ensemble InterContemporain in works by Stravinsky and Berio (with alternative programme next Mon). Tomorrow: Deszo Ranki piano recital (4028 2840). Tomorrow at Théâtre des Champs-Elysées: Felicity Lott song recital (4720 3637). Tomorrow and Thurs at Salle Pleyel: Gilbert Varga conducts Orchestre de Paris in works by Mendelssohn, Schumann and Bartók, with piano soloist Maria Tipo. Fri: Marek Janowski conducts Orchestra and Chorus of French Radio in Beethoven's Missa Solemnis. Sat: Jacques Mercier conducts Orchestre National d'Ile de France in works by Puccini, Berio and Respighi (4563 0796)

JAZZ

Carmen Bradford, jazz vocalist and long-time associate of the Count Basie Orchestra, is in residence at Jazz Club Lionel Hampton till Jan 23, music from 22.30 (Hôtel Méridien Paris Etoile, 81 Boulevard Gouvion St Cyr, tel 4068 3042)

THEATRE

English Theatre Festival: final week of Paris-based ACT company's annual selection of plays directed by Andrew Wilson. Repertory includes Ayckbourn's Confusions, Bernard Pomerance's Elephant Man and a one-woman show written by Wallace Shawn. Ends next Tues (Théâtre de la Main d'or Belle-de-mai, 15 passage de la Main d'or, Paris 11e, tel 4805 6789)

■ WASHINGTON

KENNEDY CENTER

The Secret Garden, an enchanting musical based on the novel by Frances Hodgson Burnett, can be seen at the Opera House daily till Jan 31. Tonight in the Concert Hall: Mstislav Rostropovich conducts National Symphony Orchestra in works by Wolf, Dvořák and Shostakovich, with cello soloist Natalia Gutman. Thurs, Fri afternoon, Sat: Rostropovich conducts works by Brahms, Mozart and Shostakovich. Washington Opera's repertory at Eisenhower Theater consists of Don Pasquale (Fri and next Mon, with Paolo Montarsolo, La Cenerentola (Sat and next Tues) and Bizet's Pearl Fishers (Sun afternoon). Fri in Terrace Theater: Stephen Simon conducts Washington Chamber Symphony in works by Handel and Bach. Next Mon and Tues: Bill T Jones dance company (202-467 4600). Krasnyarsk Dance Company of Siberia can be seen on Fri in the Concert Hall (202-833 9800)

BALTIMORE SYMPHONY ORCHESTRA

David Zinman conducts works by Bizet, Rodrigo and Copland on Fri, Sat and Sun at Joseph Meyerhoff Symphony Hall (410-783 8000)

THEATRE

● Rosencrantz and Guildenstern are Dead: Tom Stoppard's popular play giving a sideways look at Hamlet. Opens tomorrow, till Feb 14 (Studio Theater 202-332 3300))

● It's the Truth, if you think it is: Pirandello's mystery thriller directed by Liviu Ciulei. Opens on Fri, till Feb 21 (Arena Stage 202-488 3300)

● Edward II: Christopher Marlowe's play staged by Washington Shakespeare Company. Till Feb 6 (Church St Theater 703-739 9886)

● La Bête: David Hirson's modern verse comedy about an acting troupe in 17th century France. Till Feb 9 (Source Theater 202-462 1073)

● A Moon for the Misbegotten: Eugene O'Neill's play about the tragic life of his brother. Till Feb 14 (Center Stage 41-332 0033)

● The African Company: Carlyle Brown's play about a group of African American actors in early 19th century New York, who put on their own version of Richard III. In repertory till March 28 with Athol Fugard's Blood Knot (Kreeger at Arena Stage 202-488 4377)

JAZZ/CABARET

Blues Alley Jazz Supperclub

Tonight and tomorrow: pianist Michel Petrucciani. Thurs to Sun: Gil Scott-Heron, jazz vocals. Next Mon: Elthar Orchestra, jazz ensemble (1073 Wisconsin Ave, in the alley, 337 4141)

■ ZURICH

William Shimell sings the title role in Don Giovanni tonight and Thurs at the Opernhaus, in a cast also including Ann Murray and Cecilia Bartoli. Tomorrow and Sat: Eliahu Inbal conducts Jonathan Miller's new production of Schreker's Die Gezeichneten. Sun, next Thurs and Sat: Nikolaus Harnoncourt conducts Ponnelle production of Così fan tutte, with Lucia Popp. Sun morning: Sandor Vegh conducts a concert featuring works by Mozart, Haydn and Schubert (262 0909)

● Thomas Indermühle plays Vaughan Williams' Oboe Concerto in a concert by the Zurich Chamber Orchestra tonight at Theater 11, Thurgauerstrasse 7, Zurich-Oerlikon. Cecilia Bartoli sings arias by Vivaldi, Mozart, Berlioz and Rossini on Fri in the Tonhalle (261 1600)

European Cable and Satellite Business TV

(all times CET)

MONDAY TO FRIDAY

CNN
2000-2030, 2300-2330 World Business Today – a joint FT/CNN production with Grant Perry and Colin Chapman

Super Channel
0700-0710, 1230-1240, 2230-2240 FT Business Daily
0710-0730, 1240-1300 (Mon, Thurs) FT Business Weekly – global business report with James Bellini
0710-0730, 1240-1300 (Wed) FT Media Europe
0710-0730, 1240-1300 (Fri) FT Eastern Europe Report
2240-2245 FT Report

Sky News
2030-2100, 2230-2300 FT Business Weekly

SATURDAY

CNN
0800-0830, 1900-1930 World Business This Week – a joint FT/CNN production

Super Channel
0830-0900 FT Business Weekly

Sky News
1130-1200, 1730-1800 FT Media Europe

SUNDAY

CNN
1030-1100, 1800-1830 World Business This Week

Super Channel
1900-1930 FT Business Weekly

Sky News
0130-0200, 0530-0600 FT Media Europe
1330-1400, 2030-2100 FT Business Weekly

Joe Rogaly

Men without vision and no particular place to go

That rattling you heard over the weekend was the sound of pea-sized ideas shaking about in the brainboxes of our politicians. There is no new song. There is only the rhythm of maracas. This is not our leaders' fault. They strive to think big, but are obliged by circumstance and their own intrinsic qualities to think small.

Mr John Major is the puppet of events. He does well to stand straight when fate pulls his strings. Mr John Smith is constrained by the antiquated mechanisms of the Labour party. He *could* point it in a more auspicious direction, if he knew what that was. Whether it would then move forwards is, shall we say, open to doubt.

We must not deride these well-meaning souls for their inability to create new visions. The prime minister was not elected to the post of visionary-in-chief, nor is he suited to such a post. The leader of the official opposition is not a philosopher. He is a Scottish lawyer. On the basis of his track record since last summer, he has become the uninspiring manager of a decaying party of the left. The hard truth is that, while both Mr Major and Mr Smith are "nice", neither is extraordinary. Ordinary men have no option but to make the best they can of small-print politics, and the roll of the dice. It would surprise us all if either of them emerged as the progenitor of a grand new mission for Britain.

In any case, the intellectual climate is not conducive to such a project. Before the 1980s, it was respectable to argue that society could be restructured by a reforming government. The left talked of "building socialism". Progress was assumed to be inevitable. The establishment of the welfare state after 1945 was seen, correctly, as a permanent improvement in the British polity. Other wheezes were harmful. Nationalisation was

Obliged to think small: Major (right) and Smith

the consequence of a postwar delusion about the efficacy of planning by officials. Nonsense about a permanent and irreversible shift of power to the working classes was seriously debated. All politicians promised peace, prosperity, full employment and the warm embrace of welfare. The voters, poor suckers, believed them.

The then Mrs Margaret Thatcher was history's corrective mechanism. The mission she discerned in 1979 seems obvious in 1993. She denationalised industries, rolled back the frontiers of the state, crunched the trade unions and, most memorably, insisted that public enterprises keep proper books. "Value for money" may be a tired slogan, but it is the most precious legacy of the Thatcher years. Before the former prime minister came along, British public sector managers could not count pennies. It did not occur to them that they should. To instil in their heads the idea that they must tailor expenditure to income was a worthy project.

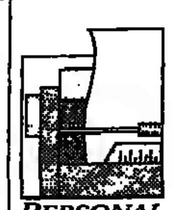
Today there is nothing on offer as striking as the revolutionary idealism of the 1960s or the counter-revolution of the 1980s. Until Black Wednesday, when sterling was withdrawn from the European exchange rate mechanism, both Mr Major and Mr Smith rested on the proposition that Britain's mission was to be a successful European state. Their attitude to this was bipartisan. Our governing purpose was to become "the best in Europe". Only the social charter divided the parties. The ERM and, by implication, monetary union were the lodestars. Thus guided, we would achieve non-inflationary growth. The European project still has merit, but it will no longer serve as a theoretical underpinning to justify the careers of the Conservative or Labour leaders. As such, it was blown out of the water on September 16.

The weekend's deliberations by the two main parties were therefore less than elevated. The principal concern was how to win votes. Designing a blueprint for a better society was not on the agenda. In Labour's case, the greatest heat was reserved for an argument about whether the official opposition should stay as it is, and lose a fifth election in a row, or learn the lessons of US President-elect Bill Clinton's appeal to the middle classes. Taken to its logical conclusion, an emulation of the new Democrats' transatlantic success would place Labour alongside or slightly to the right of Mr Major's Conservatives. Don't scoff. That could be Mr Smith's only hope.

I was not present at, nor did I bug, the private conversations between Mr Major and the Conservative chairman, Sir Norman Fowler, at Chequers on Sunday and yesterday. The prime minister's staff is reported as saying that the talks were about improving choice, opportunity, responsibility and enhanced ownership. The agenda included the promotion of business and enterprise, particularly through deregulation; health and education reforms, especially widening opportunities for 16 to 19-year-olds; the Citizen's Charter; and tackling crime. Meanwhile the Treasury's parallel meeting discussed how to get out of the fiscal hole into which the government has dug itself. Wonderful stuff, but it hardly replaces the empire, or the heart of Europe, or zero inflation.

Great themes do exist, but only in the abstract. It is possible to plot constitutional reform at the head of the agenda. The Liberal Democrats have done so; Labour might. There is plenty to say about the dangers of one-party rule, the systematic destruction of local government, the emergence of the patronage state as powerful appointed bodies proliferate and, indeed, Celtic nationalisms. I suspect that little of this would win many votes in England. A slightly more electorally profitable approach might be to debate the effect of growth on the environment, and environmental protection on growth. The new Clinton administration will probably lead the way. It is bound to be green, and bound to promote growth.

When prosperity returns, green politics will once again become fashionable, as Mr Major's Conservatives know well. But their immediate objective is to recover from a terrible autumn. Their medium-term mission is to win again. The consequence is clear. Britain is destined to be governed as what it is – a middling country muddling along, with no particular place to go.



PERSONAL VIEW

Italy fudges privatisation

In recent weeks the Italian government has won approval from parliament for the privatisation of four state-owned holding companies – Iri, Eni, Enel and Ina. Each of these giants is an industrial or public services sector leader and, respectively, they embrace oil supply, refinery and distribution, electrical energy, and insurance. However, a closer look reveals that this is not a real privatisation process.

In 1991, the global group turnover of Iri, Eni and Enel exceeded £67bn, but the net income was scarcely £450m and financial debts were £50bn. Employees totalled 650,000, thus accounting for 3.5 per cent of Italy's total workforce. In 1993, the performance of all these companies worsened. Meanwhile, the Ina insurance group's net premium was £2.3bn in that year.

In the 20 years to 1990, the growth of the Italian economy was among the highest in the western world, second only to Japan in the Group of Seven. This spectacular growth was supported by a massive injection of public funds into the economy which helped to overcome the energy crisis and to keep the economy growing during the most severe world slumps. At the same time, though, it created the headache of an enormous public debt, requiring a debt-service cost of more than 10 per cent of gross domestic product per year.

Simultaneously, an industrial structure grew up resembling that of a developing country rather than that of the US or Germany. For example, small and medium-sized firms account for the great bulk of Italian industrial production. Only seven Italian companies (Iri, Eni and a few other private companies) are included in the Fortune 500 world list, as compared with 43 in the UK.

The present management of the companies controlled by Iri, Eni, Enel and Ina has a strong political orientation – particularly towards the Christian Democrat and Socialist parties. The former has been present in government for the last 45 years without interruption, and has required management to pursue both technical and political goals. As a consequence, the political influence of management has grown to a point where it is able to obtain unusually favourable financial and legislative choices from parliament and government. Since parliament and government act on behalf of the companies' stockholder – the state – the management's stockholder relationship has become contrary to normal practice.

The government wishes to maintain state shareholding control, as does management

In recent weeks, Italy may seem to have been influenced by the wave of privatisation sweeping the rest of Europe. However, the Italian government merely wishes to strengthen the state-owned corporations and collect new risk capital through partial privatisation, without selling companies to private industrial investors, or liberalising monopolistic services. In other words, the government wishes to maintain state shareholding control, as does management, which is strongly opposed to complete privatisation.

In the UK or the US, privatisation is partial when a public entity retains ownership of assets or infrastructure while operation and maintenance are carried out by private interests. In Italy, partial privatisation mostly means that a shareholder, eg: Iri or Eni, sells a minority holding in its subsidiaries to private investors who have no interest in company administration or management. This explains why the Italian treasury minister is currently looking for partners among Arab investors, with the approval of the present management.

The only complete privatisations in Italy are to be the sale of the Iri bank, Credito Italiano, and the Eni mechanical company, Nuovo Pignone. As such, they will be of interest to British investors. They also explain why the same minister is coming to London this week.

The Italian government cannot be expected to do much better with its privatisation programme, for it is still based on the political alliance between the Christian Democrat and Socialist parties, both of which are losing votes with every election and are traditionally suspicious of the private sector. Moreover, the government is precarious and somewhat weaker than the management opposing it.

For this reason, a precondition of any real privatisation process in Italy will be a wholesale change in politics. A new government will be able to liberalise public services and sell ownership of state companies only if it is based on forces, or groups of people, free from old Christian Democrat and Socialist power.

There are in Italy some liberal political groups and new growing forces which have condemned the old alliance and wish to break their exclusive right to control the supply of goods, services and politics. These groups and forces favour the reduction of public expenditure, the opening of all markets to small and medium-sized firms, and the linking of pay to performance. As the government is currently in financial difficulties, the wholesale change may be achieved more rapidly than people think.

Riccardo Gallo

The author is an associate professor of industrial economics at the engineering faculty of the University of Rome and a former vice-chairman of Iri, Italy's largest holding company.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

NHS and cost of consultants

From Mr Barry Hassell.

Sir, I would like to thank Dr Draper ("Look to consultants for NHS efficiency", January 5) for acknowledging the important role of independent hospitals in providing facilities in London. In fact, the King's Fund report acknowledged that the proportion of elective surgery taking place in independent hospitals is at least 33 per cent.

At a time when the government is emphasising choice for patients, one in five of London's population is so doing in opting for independent healthcare. Why should Dr Draper wish to restrict consultants' choices?

It could be that he raised valid points for discussion; however, could the National Health Service afford to pay consultants the market rate which would more than double the NHS medical consultants' bill? In fact, independent hospitals are subsidising the NHS by allowing consultants to achieve their earnings expectations and significantly contributing to the health of the capital.

Barry Hassell,
chief executive,
Independent Healthcare Association,
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An independent bank governor would avoid stop-go policies

From Dr Graham Hallett.

Sir, Mr Persaud (Letters, January 7) dismisses the argument for central bank independence as "populist". The question is whether the stability of the currency is one of the "framework" or "constitutional" issues which should be removed from the direct control of the executive, like the administration of justice. Why not a comparable limitation of "democratic accountability" in fiscal policy? There are precedents for imposing constraints on governments' ability to finance expenditure by borrowing or printing money. The West German constitution originally contained a provision that the federal government should not run a deficit on current, as against capital, expenditure. It was – with hindsight probably unwisely – repealed in the interests of "Keynesianism". There are admittedly difficulties of definition involved, but many countries would have benefited from such a constraint on "democratic accountability".

Graham Hallett,
department of city and regional planning,
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From Mr Luis Garicano Gabilondo.

Sir, Mr Persaud argues re Bank of England independence that "it is a populist assertion that politicians cannot be trusted to stand above their narrow political choices". In so doing he forgets to apply to the problem of the conduct of monetary policy the very same principles of rationality that his economist training has taught him to use in other, "non-political", analysis of social behaviour.

The self interest of a government, call it narrow or not, is to win elections. In order to do that, it must ensure that recovery comes at the end of its mandate and recession (if there has to be one) at the start of it. A central bank governor whose job depends on that outcome will do everything to attain it, with the likely consequence of an inefficient political business cycle. Conversely, a central bank governor named under a statute that assures his independence and links his job and his salary to the achievement of certain objectives *democratically* set by the parliament, has every incentive to avoid such stop-go cycles and pursue his mandated long-term objectives. This is neither populist nor insidious. Just rational.

Concerning the assertion that independence is no panacea it can only be said that there is no such thing as a panacea in any sphere of life, least of all central bank independence. But neither the failure of Sweden's Riksbank to defend the Krona nor Margaret Thatcher's recession at the beginning of the 1980s, nor, least of all, Germany's current economic problems prove anything at all in relation to the long-term objectives of monetary policy. As recent research work has shown, over the last 40 years OECD countries with lower inflation rates have, in all but one case (Japan), a *de jure* or *de facto* independent central bank. This is the case in the US, Germany, Switzerland, the Netherlands and Canada. On the other hand, countries with higher inflation have suffered a record of government interference in the conduct of monetary policy – as in Greece, Portugal, Italy, Spain, France and the UK.

Last, there need be no problem of accountability provided the objectives of central bank policy are democratically decided, that its governor and board are democratically elected and that it has to present a yearly report to the parliament in which its decisions are discussed and justified.

Luis Garicano Gabilondo,
economist,
Commission of the EC,
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BBC World Service – objective facts and no sensationalism

From Mr Thomas E Whittle.

Sir, May I endorse P H Ball's sentiments from the Netherlands (Letters, January 8). By far the best radio programme is the BBC World Service – listened to and respected by more people in the world than any other on short wave.

The next best English language programme is surely long-wave Radio 4. It is heard in many countries, from Norway through much of the EC to Ireland, a catchment area of up to 300m people. I once heard the budget speech from the Commons quite audibly at the Algarve, south coast of Portugal, on Radio 4 via a battery portable.

These two programmes must do much to present the UK point of view – a valuable public service exercise on which to spend part of the licence fee or household tax. Many of us (insomniacs, workers, drivers) listen to the World Service through the night – the BBC could save (or spend) money cost-effectively by broadcasting the World Service by day on an easily received, all-UK frequency, instead of another news programme.

Let us have a broadcast source of objective facts, to match the FT in print, rather than dramatised "doom and gloom" sensationalism.

Thomas E Whittle,
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Cues that are still holding back women in management

From Ms Eileen M O'Connor.

Sir, I found it refreshing to read that it is recognised, at least across the Atlantic, that women continue to encounter the impenetrable *glass ceiling* in the workplace in the US ("Women take stock of Wall Street", January 6). This issue is one of attitude that will take some time to remedy.

Perhaps management is only taking its cues from the general population. My favourite memory is one of a call I received that had been transferred from the receptionist. Upon answering the phone I was immediately asked: "Are you the secretary?" It took great restraint for me not to reply "No, are you the plumber?" I do not understand what it is about the tone in one's voice that indicates a profession. Perhaps I should have studied voice psychology rather than economics.

Also ironic was that in the three-quarter page "Who's News" section of the Wall Street Journal (January 6) there was not a single mention of a female. In a country this size I find it difficult to believe that there was not *one* corporate move or appointment of a female that was newsworthy. Ah, but alas, the chocolate-chip cookie has already been perfected. What more is there for us to do?

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Supertanker companies should assume burden of liability

From Dr Jörg Schimmelpfennig.

Sir, There is a grim truth that is not even denied by international shipping organisations – operating supertankers will always cause disastrous oil spills ("Shipping bodies say oil spills 'inevitable'", January 7). Of course these risks can, and have to be, minimised by a more careful planning of tanker routes in order to avoid environmentally sensitive areas and better shipping standards. But the level, and type, of supertanker activity has to be questioned as well. Unfortunately, your editorial, "Oil spill in the Shetlands" (January 7) completely misses the latter point.

Common economic wisdom tells that economic efficiency can only be hoped for if all market participants are forced to take account of each and every cost arising from their activities. With supertanker operations this is not the case. Due to limited liability, only a fraction of the damage to the environment has to be paid for by the operator. A compensation fund like the one set up by the International Maritime Organisation, even if liability were not limited, does not help either, as from the viewpoint of a single operator and/or oil importing country it requires only a lump-sum contribution irrespective of the kind and level of its activities. The question is not whether "a pay-out is guaranteed in a reasonable period of time", but whether he who have caused the damage has to pay for it.

In contrast to your dismissal, the 1990 US oil pollution act enacted in the wake of the Exxon Valdez disaster is the most sound answer to this problem yet. There is just one simple device missing. In addition to unlimited liability insurance should be mandatory in order to avoid the "corporate veils" which you correctly identified as the main obstacle to the workability of the act. Then, in a competitive insurance market, premiums would roughly equal the expected damage and, thus, force the internationalisation of all external costs. Such a system would even provide incentives for better shipping standards, as any reduction of the risk of an accident would be neglected by lower premiums.

If, with such a scheme, supertanker operations would cease to be commercially viable, the consequence is and should be obvious; society would have to dispense with them, and should have done so long ago. Limiting liability is but a subsidy and, as with all subsidies in the absence of public good effects, creates economic inefficiency. Supertanker operations can hardly be described as a public good.

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FINANCIAL TIMES

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Tuesday January 12 1993

A last task for Mr Bush

JUST AS the Gatt's Uruguay round had been given up for dead, US and European Community trade negotiators have rushed to Geneva in a last effort to bring the six years of negotiation to a conclusion. They are right to do so. Mr Bush, in particular, has nothing to lose by pushing them hard in his remaining week in office. He would, on the contrary, be doing a favour to his own reputation, to his successor, to his country and to the world.

It is not that a completed Uruguay round would resolve the world's trading problems, nor even that any deal reached in the US president's remaining days could ensure success for the round. But without such a deal, failure would seem *certain. If* nothing has been decided by January 20, when Mr Clinton takes over, the conflicting priorities of his administration, combined with the looming expiry of the "fast track" authority, are likely to make agreement too difficult and, above all, too late.

First evidence of a last push came when the EC commissioner newly responsible for trade policy secretly met Mrs Carla Hills, his US counterpart, outside London on January 2. They agreed that time was too short to continue pressing for a complete Uruguay round package, and decided to *focus, instead,* on more limited objectives. A substantial US-EC agreement on market access – that is, on lower tariffs on manufactured goods – was to be the focal point of these negotiations.

The US wants the EC to join in abolishing a number of tariffs altogether. The sectors proposed are pharmaceuticals, non-ferrous metals, wood and paper products, and – most controversially – electronics, where EC anxieties about Japanese exports remain high. For its part, the EC wants the US to tackle its tariff peaks. These include glass and ceramics, but the most sensitive is textiles, where some US duties approach 40 per cent. The EC's case is strong. Lowering high tariffs is economically far more important than reducing low ones.

Negotiators talked *yesterday of* "exceedingly difficult" talks. But these are at least within traditional areas of Gatt activity. Negotiators must also remember what is at stake. Success will recreate momentum. Failure would risk all that has been achieved in six weary years, including the package of farm subsidy cuts agreed in Washington a month ago, which narrowly averted an international trade war.

Market access negotiations between the US and the EC would not be the end of the story. Other countries must participate and other areas of the negotiation need to be resolved. Japan and Korea should, for example, open *their markets to rice imports.*

The round is now on borrowed time. An outline agreement on most issues needs to be on the table when President Clinton takes over. If he vetoes it, so be it. But at least the round would not have perished by default.

New BBC broom

MR JOHN BIRT, the new director-general of the BBC, has moved swiftly to assert his style. The announcement *yesterday* of senior managerial changes and the accompanying statement of vision are intended to chart the organisation's path in a rapidly changing broadcasting world.

Mr Birt's game plan has the merit of being clear. He wishes to persuade the government to continue *for another decade* to fund the BBC with the proceeds of a licence fee payable by those who own a TV set.

The argument, initiated at the end of last year in the BBC's response to the government's green paper, is that an expanding commercial sector in broadcasting *still* needs to be *supplemented* by a substantial public corporation. To support the case for a new charter and licence fee, Mr Birt has also recognised that the BBC must become more efficient and more accountable. It has, after all, just mislaid over £50m.

There are two hallmarks of the Birt approach. *The first* is that he intends the BBC to be a managed institution, rather than an agglomeration of committees and warring baronies. This is sensible. It is barely credible that, prior to these reforms, the BBC had no top-level management forum to discuss programme priorities.

The second is *that Mr Birt* envisages the BBC withdrawing from areas crowded with commercial competitors. Many wasted words have been spent on which soap opera or game show might fall into this exclusion zone but, in principle, Mr Birt is right. The public does not need the BBC to do everything and the BBC cannot *afford to do everything well.*

However, it remains to be seen whether *Mr Birt's* "producer choice", a complex administered market which seeks to devolve managerial power, will work. Mechanisms like this, which seek to create artificial markets without permitting those involved to set prices or take true risks, have a history of freezing into the same kind of bureaucratic inertia as the command economies they seek to replace. But there is no doubt that Mr Birt's radical recasting of the BBC's central bureaucracy is a step in the right direction. Equally, the intention of the plans announced yesterday to improve accountability cannot be faulted, although they ignore the fact that the BBC is already burdened with a creaking apparatus of advisory and regulatory bodies.

The approach, in short, is in tune with these Majorite times, applying an earnest, schematic *pragmatism* to the *modernisation* of a large public service. The BBC hopes that it thereby strikes less comfortable questions from the agenda, such as: is it sensible to have such a big organisation cornering all the public funding for broadcasting? Will the licence fee still be defensible when, in 10 *years' time,* the BBC's share of the TV audience is down from almost 50 to perhaps 30 *per cent? Those* who think these questions pertinent will want to see a more vigorous debate than a dull green paper has yet stimulated.

Dirty dogfighting

THE ROUT of British Airways in its legal battle with Virgin Atlantic raises some curious questions of business morality. By its own tacit admission, BA employed some very dubious tactics in trying to overwhelm a smaller competitor. Are we to suppose that such behaviour *is general in* the corporate world? Again, BA technically came to grief not over dirty tricks, but because it had libelled Mr Branson. Suppose the *rest of its behaviour* were within the law. Does that make it acceptable?

The answer to the first question is not wholly simple. The principal charge against BA boils down to the fact that it sought to divert business from a competitor. In itself, that is commonplace. If an engineering company hears a competitor is about to land an order, it will call the customer and try to change his mind. *It is* less usual in consumer markets: we might be surprised, on buying a tin of beans in a *supermarket,* to find another bean-maker pressing his own wares upon us at a *discount.* But that would not be illegal, simply uncommercial in the context of *the price of a tin* of beans. A first-class air ticket might be another matter.

BA's position, in fact, was in many ways exceptional. Despite *its apparent* market dominance, it found Mr Branson able to make surprisingly *rapid inroads* into some of its most lucrative routes. The airline market is also unusual in that competitors routinely take on each other's customers and that their order books are relatively transparent. BA *may have* been guilty of arrogance or stupidity in allowing itself to be needled by Mr Branson, who comes out of the affair as much the better tactician. But perhaps not every company in BA's position, possessing both the motive and the means, would have behaved much better.

The second charge against BA is that it sought to blacken Virgin's name through the press. As *any* journalist who has covered a contested takeover can attest, this is not unprecedented behaviour either. In both cases, the question *is not* so much what is done as what means are employed to do it. If a company can be shown to have broken the Data Protection Act, or abused its market dominance in suppressing competition, or made slanderous allegations, it can be prosecuted *accordingly.* But that brings us back to our second question. Suppose none of *these things* happened. Does that make it alright?

The answer, obviously, is *no.* It is not even necessary here to appeal to business ethics. The *point* can be made on practical grounds. If BA has offended the sense of natural *justice* in the world at large, its business will suffer. Its customers may, at the *margin,* take their business elsewhere. If it has compromised its reputation *for straight* dealing in the eyes of governments, it may find its global ambitions harder to *pursue.* The message of the affair, in short, is that dirty tricks have a *price of their own.*

Virgin's honour remains intact

Michael Cassell and Paul Betts track the acrimonious battle between British Airways and its smaller rival

It was the sort of stunt calculated to get right up the nose of Lord King of Wartnaby, *the gruff, tough chairman of* British Airways.

Early morning passengers arriving at London's Heathrow airport on July 1 1991 watched in disbelief as a man dressed in pirate clothes, complete with cutlass and parrot, *led an assault on the sleek model* Concorde gracing the exit tunnel.

Within minutes, its BA livery was swapped for that of Virgin Atlantic, Britain's precocious long-distance airline which that day began flying from Heathrow.

The man with the parrot was Richard Branson, the bearded, swashbuckling chairman of Virgin Atlantic, dubbed a "pirate" by Lord King after Virgin's success in winning, at BA's expense, extra flights into Toyko's Narita airport.

The escapade was pure Branson, one in a series of marketing skirmishes between the two airlines which included the mystery appearance of Virgin leaflets in BA first-class cabins and the timely arrival of Virgin staff to wave off the press corps on BA promotional trips.

As one of the Virgin raiders put it: "We got them very steamed up and thoroughly enjoyed doing it".

But, beyond the jolly skirmishes, Virgin was by the summer of 1991 becoming convinced it was embroiled in a battle for survival with a goliath. Its competitor daily carried 30 times more passengers in an aircraft fleet nearly 30 times larger than its own.

The cheeky "cherry picker" airline knew it was in BA's firing line. It was already successfully muscling in on some of BA's most profitable, long-distance routes and had now won its battle to break out from Gatwick airport.

Virgin was well aware of BA's reputation for seeing off small-fry competitors. No one could have envisaged, however, the extraordinary succession of events ending yesterday with BA's climb-down before Mr Justice Drake.

As the judge heard, Virgin was to find itself the target of a damaging campaign. Its customers were to be sent a series of extraordinary offers and questionable initiatives intended to lure them away.

There would be evidence that BA employees shredded documents relating to Virgin activities and that the *airline retrieved passenger* information held on Virgin computers. According to one Virgin executive: "They knew our loading on every flight and even where our passengers lived. They knew everything before Richard Branson."

A series of mysterious thefts from the vehicles and homes of senior Virgin personnel, *never in any way* directly linked to a "dirty tricks" campaign, served to heighten fears that the business was under attack.

Whatever the reality, both camps were to become convinced each was being spied upon by the other.

Branson, the awkward, consummate self-publicist who has narrowly escaped death in speed boats and hot air balloons, had managed to survive longer in the cut-throat airline business than many others

But he realised just how big a foe BA might be as early as 1987, following BA's £250m acquisition just *before Christmas of* British Caledonian, the Gatwick-based airline.

Under the deal, BA had to honour agreements between BCal and other airlines for the servicing of aircraft, including Virgin's two 747 jumbos. Within weeks, BA said it would not service any additions to Virgin's expanding fleet. Servicing charges *rose from £153 an hour to £544.*

Throughout 1990, Virgin ran into *other problems. The BA night simulator* at Heathrow became almost impossible to book for Virgin pilots. But when Virgin telephoned pretending to be British Midland, training slots became available.

By the autumn of 1990, Lord King's irritation with Virgin became clear when Branson, in a *burst of publicity, flew* British hostages out of Iraq before the Gulf war erupted. BA's *chairman had* harsh words with the Foreign Office.

Almost at once, Virgin fell victim to a price war in which tens of thousands of cheap *BA* economy tickets, targeted on Virgin's transatlantic routes, flooded bucket shops.

At the start of 1991, Virgin won its extra slots at Tokyo, and was roundly criticised in a BA press release for its expansionist ambitions. Branson wrote to Lord King saying he resented the level of personal abuse being used by BA.

In a rare exchange between the two men, Lord King replied: "As I said to the Sunday *Times,* I run my airline, Richard Branson runs his. Best of luck to him. I do not wish and do not intend to say anything more on the subject."

Behind tha scenes, BA hammered away at the theme that Virgin was a whingeing, small-time competitor. "The image", said a BA man, "is supposed to be big bad British Airways and poor little Virgin."

By the summer of 1991 Virgin was becoming convinced it was embroiled in a battle for survival with a goliath

By now, Virgin had compiled for the EC Commission a draft file of complaints about alleged anti-competitive action by BA. Branson *would also discover for himself* a BA "switch-selling" programme.

On board a *flight* to the *US,* Virgin's chairman was scanning the log in which upper-class passengers registered their comments, and was intrigued at one which ran: "No wonder BA tried to get me to switch flights." Branson introduced himself to the passenger and heard of BA's impressive efforts to woo his customer. *Other cases quickly* emerged. Travellers were telephoned in New York hotels at all hours, offered first-class BA seats, free flights, or Concorde trips in return for their Virgin tickets.

An executive from Procter & Gamble, the US consumer products group, was *approached in the* Heathrow lounge, given all the details of his itinerary and invited to change to BA

Yvonne Parsons, another regular customer, was telephoned three times to be *told* her Virgin flight *had problems* but that she could fly BA. The names of genuine Virgin employees, obtained *simply* by telephoning Virgin offices, were being used by the mysterious callers.

On both sides of the Atlantic, Virgin upper-class passengers were being accosted by smartly dressed personnel wearing buttonholes. Virgin dubbed *them* BA's *"carnation brigade".*

By the spring of 1991, a former BA marketing department employee disclosed that documents relating to Virgin, held within BA as part of operation "Mission Atlantic", had been shredded and dispatched in plastic bin-liners.

Another *former BA employee* at Gatwick provided evidence that, *using BA's own computer system,* specially deputed "Helpline" staff had systematically recovered information on Virgin activities and passed it, in plain envelopes, to superiors.

As information continued to leak out, BA stepped up efforts to find the "moles" within its own organisation. Virgin *claims* there were none, with all its evidence coming from the public or *former BA* employees.

In March 1991, Branson gave an interview at Gatwick after securing landing and take-off rights at Heathrow. The breakthrough was bad news for BA, though Branson emphasised he did not want war with Lord King.

But by the autumn, Virgin had its hands on a copy of a report on Virgin *Atlantic prepared for BA as part* of "Operation Barbara" by Brian Basham, a City public relations consultant. The document gave a full analysis of BA's competitor.

It outraged Branson. But Basham *has always insisted that the report* was a legitimate study of the airline's strengths and weaknesses. His campaign for BA had been "perfectly decent and straightforward".

As 1991 ended, Virgin received calls from journalists pursuing *rumours* about the airline's state of health. Was it true that fuel was *having* to be paid for in *cash, that* the airline was losing £50m a month? Headlines asked: "Will Branson's balloon burst?"

Two weeks before Christmas 1991, Branson wrote to the airline's non-executive *directors,* claiming "black propaganda" was being used to discredit his airline.

In retrospect, BA's tactical error in the tussle was to give Richard Branson the chance to invoke libel proceedings

Sir Michael Angus, BA's deputy chairman, replied on behalf of the non-executives, saying it was inappropriate for him to act. Sir Colin Marshall, BA deputy chairman and chief executive, said Branson's allegations were *"wholly without foundation and unjustified".*

Early in 1992, the controversy ignited with the screening of a Thames Television programme investigating Virgin's "dirty tricks" claims. Even before it appeared, BA accused Thames of "having fallen into tha trap of being used as a vehicle for Richard Branson's propaganda".

The *programme provoked letters* of complaint from the public to BA. *In response Lord King again* rebutted Virgin's claims, labelling the exercise a publicity stunt.

An attempt at peace talks between lawyers from both camps collapsed. BA issued another press release *again criticising* Virgin.

In March 1992, Branson finalised the sale of his Virgin Music business to Thorn-EMI for £560m. Lord King said the Virgin boss was evidently "too old to rock and roll and too young to fly".

But Branson *was not too* young to sue. On March 14, The Sunday Telegraph telephoned Virgin to say it might run a story that the airline had hired a private detective to investigate BA and Lord King.

At the same time, John Thornton, an *executive at* investment bank Goldman Sachs, who had been involved in the Virgin sale to Thorn-EMI, was asked by the newspaper if his company had been authorised to hire investigators on behalf of Virgin.

Enough was enough. Branson believed the avalanche of innuendos and falsehoods had gone too far. After a meeting at Branson's Holland Park home, libel proceedings began, based on written attacks on Virgin's good faith and integrity in BA News, the airline's staff newspaper, and in a press release.

According to one *of those present:* "We couldn't take it any more. It is tough enough out there but we were convinced BA wanted us out of the business."

Though some might believe otherwise, Branson is said not to have enjoyed his battle with BA and is anxious to concentrate on building the business. Virgin intends by 1995 to expand its fleet from eight to 18 aircraft and to be *flying into* the world's top 12 cities. By then, it *wants 30 per cent of Britain's trans*atlantic traffic.

As BA tries to put yesterday's unpleasant proceedings behind it, the airline's management concedes it underestimated Branson's determination and business cunning and that, surprisingly *for* an airline with a good management record, made a series of misjudgments which allowed it to be outwitted.

Although BA *is going* to ground in the aftermath of the libel settlement, the important question remains of how the airline allowed events to spiral out of control.

Did the top management really know what was happening? Yesterday's court *statement claimed* it did not, although an affidavit served on the *two airlines* by Basham *says he* never acted without the knowledge or approval of the BA board. On occasions, he says he tried to stop the airline spreading disparaging rumours.

But how were some BA people given freedom to pursue a series of highly questionable initiatives, placing at risk BA's *hard-won* reputation? Or was BA blinded by arrogance, encouraged by the company's commercial success?

In retrospect, BA's tactical error in its tussle with Virgin was to give Branson the chance to invoke libel *proceedings.* On any other legal grounds, Branson could have found it hard to extract retribution.

Although some senior BA managers wanted to fight Branson all the way, Lord King decided that a prolonged and theatrical libel case would have been a public relations disaster. BA would pay up.

Damages apart, BA can ill afford to see its reputation further under*mined at a time when it is set upon* becoming a global carrier by acquiring stakes in international airlines.

The fiasco is not expected to claim any immediate victims among the higher ranks of BA management. "A few ties may be tightened around a few necks but heads will not roll", according to an executive.

In a few months time, however, BA sees the end of an era when *Lord King, the architect of the air*line's success, steps aside to become president. He will no doubt be hoping that the embarrassing saga will by then have been largely forgotten.

In the meantime, ba has more immediate priorities. With the retirement of his butler, the 75-year old BA chairman is searching for an attentive, *professional* and *caring* replacement. An experienced, first-class *cabin attendant* could fit the bill, though it might be unwise for any *Virgin* employee to apply.

OBSERVER

Don't shoot the messenger

■ Brian Basham's involvement on the murkier side of British Airways' row with Virgin is not the first time that the best known "street fighter" in City public relations has been in a spot of bother, and it is unlikely to be the last. Although he has come off worst this time, he is unlikely to retire from the trade. He enjoys it far too much.

The workaholic son of a south London butcher, he is one of the more enduring fixtures in the topsy-turvy world of City PR. His nose for a good City story, which has proved so valuable over the years to countless financial *journalists who often use him* as a discreet source, was first spotted by ex-Daily Mail city editor Sir Patrick Sergeant, doyen of the old-style city editors.

He learnt his trade with John Addey, the ex-barrister who invented modern financial PR. That was nearly 20 years ago and since then Basham has invariably had *a view, and often a role, in* many of the City's juicier stories. In his heyday in the 1980s he was the "best bid man around", says one rival. Indeed, some nervous companies hired him in order to stop him working for a predator.

A changing City climate has meant that demand for his influence-peddling skills is not what it was. But whatever one thinks about his business methods, he *is a survivor. After his own publicly* quoted company ran into financial trouble in 1991, he quickly re-emerged with another business.

If he has a fault, he doesn't follow the advice of one of his protégés, Alan Parker, now running Brunswick, one of the City's more successful PR consultancies. *Parker's motto for success* is "never get between the client and the footlights". *Basham's problem is* that he frequently does.

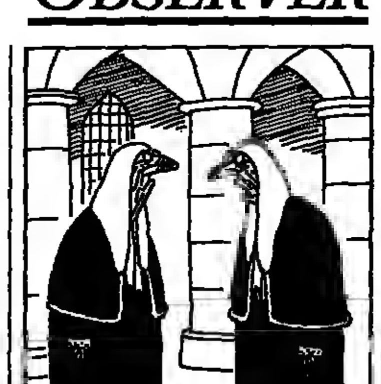
Inside job

■ Expect musical chairs at Pechiney, the French state-owned aluminium and packaging group, where chairman Jean Gandois is rebuilding his recently depleted executive team.

The top slots in French business and politics are becoming almost as peppered with ex-Pechiney executives as with alumni of Saint Gobain, the glass and pipes group, long regarded as the training ground for France's industrial elite.

Last week Jean-Louis Vinciguerra quit as finance director to become a managing partner of the Paris arm of the Rothschild banking empire. He is just the latest in a distinguished list of Pechiney defectors. Martine Aubry, daughter of Jacques Delors, the European *Commission president, left as* Pechiney's social affairs director last year to become labour minister, while the year before that saw the departure of former managing director *Jean-Martin Folz to become* general manager of Eridiana Béghin-Say, the Franco-Italian food group. And don't forget that other old Pechiney hand, Bernard Pache – *the new boss of Bull, the* state-owned computer maker.

So the new faces on Pechiney's executive committee will be worth watching in the years ahead. No *clues yet as to who they will be,* though the word is that they will be insiders.



'What is a squidgy?'

History lesson

■ It's a depressing lesson of history that no matter how much governments say they are in favour *of greater openness, they* instinctively try to stifle legislation *designed to achieve it.*

Take Harold Macmillan's Conservative administration. Barely a year after being elected in 1959 with a manifesto promising more openness, the government sabotaged a private member's bill to open local authority meetings to the press.

The *revelations, published today* by the tireless Campaign for Freedom of Information, gain piquancy from the identity of the backbencher who was forced to accept a watered-down bill... Mrs Margaret Thatcher, the newly *elected MP for Finchley.*

Refresher

■ *If yesterday's stormy* Trafalgar House annual meeting is anything to go by, the group should speed up its search for a new chairman to replace poor old Alan Clements *who has been left holding the helm.*

Clements, an ex-ICI finance director, may be jolly good at adding up the figures but he is not the best of persons to control a *rowdy AGM and restore the* confidence of small shareholders, still smarting from a slashed dividend. His diffident and often defensive performance allowed the *meeting to drag on for over two* and a half hours – well past lunch time. As any seasoned chairman should know, it is not wise to keep small shareholders waiting such a *long time for their customary* refreshments.

Prime object

■ John Birt, the new director-general of the BBC, was remarkably frank yesterday when he spelt out details of his reorganisation plans at the Corporation. A Programme *Strategy Review across all the* directorates of the BBC would get under way immediately.

"The review will be this year's major task; it should be creatively stimulating and highly enjoyable. Exactly what we all joined the BBC to *do," he said. Hope the* programmes will be enjoyable too.

Privy squeal

■ Oh dear, what can the matter be? Yesterday Observer praised the civilised PR man who, needing to use his portable phone while *on a train, made the call from* the lavatory because he was "too embarrassed to be seen taking the thing out in a public carriage". Alas, readers should beware of *doing* likewise.

A man who happened to be travelling in the adjacent coach reports that he and everyone else present overheard not only the remark quoted, but everything else the would-be discreet caller said in the conversation.

FINANCIAL TIMES
Tuesday January 12 1993

Branson claims 'total vindication' after two year legal battle

Virgin awarded £610,000 payout in BA libel case

By Peul Batts and Michael Cassell

MR Richard Branson and his Virgin Atlantic airline yesterday won near record libel damages of £610,000 ($927,000) at the end of a two year "dirty tricks" legal battle against British Airways.

In scenes of high theatre outside the High Court in London, Mr Branson claimed "complete and total vindication" for his company which had accused BA of trying to put it out of business.

In charging BA with going "beyond any limits of commercially acceptable practice", Mr Branson listed details of its rival's campaign to discredit Virgin. These included:

- The illegal use of Virgin Atlantic computer information.
- The poaching of Virgin passengers by bogus Virgin representatives.
- The shredding of documents relating to Virgin activities.
- The spreading of hostile and discreditable stories to destabilise Virgin.

BA, which will also have to meet several million pounds in legal costs, apologised "unreservedly" to Mr Branson in court for alleging that Virgin Atlantic, in claiming BA was conducting a "dirty tricks" campaign, was only seeking publicity.

The settlement represents a deeply embarrassing climb-down for BA and for Lord King, the airline's chairman, and is intended to avoid a long and potentially even more damaging libel action at a time when BA is in the midst of an ambitious interoational acquisition strategy to become a global airline.

Sir Colin Marshall, BA's chief executive and deputy chairman, said his airline was taking steps to ensure "regrettable incidents" undertaken by BA employees did not occur again.

In a special message to BA staff intended to bolster morale, Sir Colin said the "overwhelming majority" of the airline's workforce had no involvement whatsoever in the campaign against Virgin. He urged them not to be distracted by the publicity surrounding the affair.

BA accepted it had impugned Virgin's good faith and said it hoped to build a new and less confrontational relationship with Virgin.

After the court hearing, Mr Branson claimed some people within BA had been frightened by the competitive challenge posed by his much smaller airline.

He also demanded that BA directors give a full explanation of a separate, covert operation targeted at Virgin and carried out, he alleged, by private investigators.

He warned Virgin would not hesitate to take new legal action if it became the victim of further unfair, competitive practices. "We now wait to see whether the leopard has changed its spots," Mr Branson added.

In the agreed statement read out in court, BA emphasised that the company's directors were not party "to any concerted campaign" against Mr Branson and his airline. But yesterday's court proceedings were prolonged by argument concerning the role of Mr Brian Basham, a public relations consultant employed by BA, in the affair.

Sky high: Richard Branson at the High Court after Virgin won £610,000 libel damages from BA   Photograph: Ashley Ashwood

The settlement agreed by the two airlines named Mr Basham as the man responsible for conducting a campaign to plant "hostile and discreditable stories" about Virgin and Mr Branson in the press.

Following an unsuccessful attempt by Mr Basham's counsel to have his client's name deleted from tbe settlement statement, the court beard that Mr Basham denied the document accurately reflected his actions.

He told the court in a written statement that "at no time did I act without the knowledge or approval of the British Airways Board". His statement also said he tried to discourage BA from spreading "disparaging and unsubstantiated rumours" about Virgin and Mr Branson.

Under the terms of yesterday's settlement, BA and Lord King will pay Mr Richard Branson £500,000 damages with an additional £110,000 to Virgin Atlantic. BA will also pay all costs, estimated at about £3m.

Mr Branson said outside tbe High Court be bore no grudges against Lord King.

THE LEX COLUMN

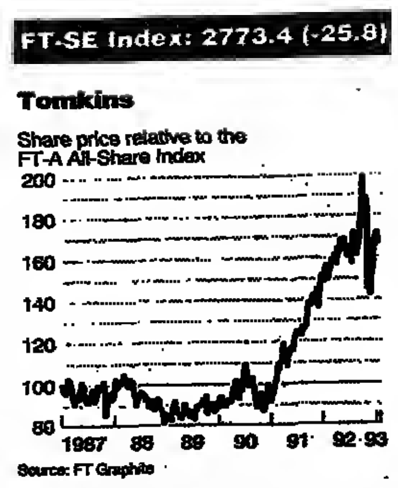
Called to account

It is perhaps a pity that yesterday's coup against the auditors at the Trafalgar House AGM was overturned by the big battalions' proxies. Shareholders were, to say the least, bemused by the way a £122m profit in 1991 had been transformed to a £38m loss at the stroke of an accountant's pen. They may also have been irritated that it took the Financial Reporting Review Panel to encourage the board to second thoughts. Still, the chairman, Mr Alan Clements, and the auditor, Touche Ross, doubtless got the message.

Such desire for the ritual sacrifice of auditors grows out of concern about the abuse of accounting rules and unease over the independence of auditors. The new financial reporting standards go some way towards providing a more robust framework, though the irritation of Professor David Tweedie at firms which ignore the spirit of his changes shows that no structure is proof against determined creativity. And while the Cadbury committee seeks to encourage the independence of auditors by strengthening audit committees, that may not be enough. Even the alternative – rotation of audit firms – could degenerate into an elaborate Buggin's turn.

Possibly the best way to distance auditors from finance directors is to widen the auditors' duty of care to shareholders. To balance the increased risks of legal action against them, auditors might bear limited penalties. Such economic pressure would undoubtedly focus minds. It would however, require the Caparo judgment, which severely limits the liability of auditors, to be overturned. That might prove the hardest task of all.

FT-SE Index: 2773.4 (-25.8)



Tomkins

Much is made of Tomkins' similarity to Hanson given that is where Mr Greg Hutchings cut his business teeth. But Hanson seems increasingly interested in resource-based industries. Perhaps the more apt comparison is with BTR, which has a canny ability to manage a rag-bag of mature low-technology businesses. In fact, so resilient has been Tomkins' organic growth that one wonders where the share price would now stand without Ranks Hovis McDougall. With 75 per cent of sales in the US and operating companies highly-geared to economic uplift, an RHM-less Tomkins would surely have topped many investors' lists of recovery plays.

It thus remains perplexing that Tomkins should sink £935m into a seeming quagmire of a non-cyclical UK foods business. One clue lies in BTR's recent treatment of its Hawker Siddeley acquisition, where rationalisation provisions now amount to about a quarter of the purchase price. Tomkins promises its reserves will be on a far lesser scale. Nevertheless, Tomkins should still be able to reap all the profits gains from rationalisation without taking any pain above the line.

The market may thus have been wrong to view RHM as a fallible food business rather than a flabby chunk of £1.4bn of costs. Tomkins can enhance profits without selling even one more Mr Kipling cake. When this becomes apparent, it may recoup its premium rating, notwithstanding growing grumbles about its quality of earnings.

D-Mark bonds

That Italy plans to join the roster of European governments borrowing in D-Marks comes as no surprise. A large budget deficit, a weakened currency and depleted foreign currency reserves are features in common with other recent borrowers – notably Norway, Sweden, Finland and the UK. The Italian issue will doubtless be seen as a signal of the government's belief that the depreciation of the lira against the D-Mark has run its course. The lira rallied yesterday on such sentiment. In fact, the timing looks pragmatic.

The demise of the Ecu bond market last year has narrowed the field for governments seeking overseas funds. Aside from dabbling in the likes of sterling and yen, serious borrowers are restricted to D-Marks and dollars. Since the Bundesbank stoked expectations of lower interest rates again last week, the German currency was a natural choice. All the more so since last year's events established the D-Mark as the most potent weapon in the European central banker's armoury. Intervention in dollars is hardly a reply to speculators betting in D-Marks. The Bundesbank will doubtless have mixed feelings about the enhanced international status of the D-Mark bond market. Given its preoccupation with controlling the money supply, it can hardly welcome an overhang of off-shore D-Marks. It might equally be enjoying some quiet satisfaction at the downfall of an Ecu market of which it was always suspicious.

Sweden

There is something disconcerting about watching Sweden grapple with its economic problems from the vantage point of the UK. Both countries tried in vain to control inflation by linking their currencies to the D-Mark. Both are grappling with the consequences: deep recession, a surging budget deficit and debilitating bad debt problems in the financial sector. Problems are markedly worse in Sweden's case. But its efforts to extricate itself, exemplified in yesterday's budget, may hold some lessons for the UK.

Sweden has little room for higher taxes. Raising VAT would only add to the upward pressures on prices from last year's devaluation. As in the UK, the chances of seriously cutting the budget deficit may depend on harsh decisions on benefits. This is hard in a recession. Yesterday's spending cuts, though in line with expectations, still gave markets pause for thought about whether they were adequate. Next year's projected deficit of SKr162bn assumes an optimistic growth expectation of 1.6 per cent.

The question is how such deficits can be financed. One answer, doubly seductive because it might bring export-led recovery, could be to encourage capital inflows by allowing the krona to depreciate further. The central bank worries about the inflationary consequences, but this approach would allow lower short-term interest rates which, at over 10 per cent, are still an impediment to recovery. If the budget deficit proves truly intractable, Sweden may have no choice. Ultimately the same could turn out true of the UK. In which case arguments about the PSBR undermining equity prices would take on a very different tone.

UN chief urges German military role

By Judy Dempsey In Bonn

THE GERMAN government's continuing reluctance to participate as a full member in tbe United Nations could prevent the UN from being a truly international organisation, Mr Boutros Boutros Gball, the United Nations secretary-general, said in Boun yesterday.

In a series of strongly worded statements to government officials, Mr Boutros Gbali, at the start of a two-day official visit, said money was no substitute for Germany's limited Involvement in thc UN.

Although Germany is the UN's third largest contributor, providing 8.9 per cent of the organisation's budget, it is constitutionally prevented from participating outside the Nato area in any military role, whetber in peacekeeping, or peace-enforcement. It is able to participate in UN-backed rebabilitation prugrammea for countries emerging from war or disaster.

"We don't need so mucb money. We need real participation on the ground. Without full diplomatic, military, economic, and political involvement from Germany, tbe United Nations will not become a stronger organisation," Mr Boutros Ghali said.

He dismissed tbe suggestion that some countries, for historical reasons, were afraid of Germany playing a military role in the UN. Germany already provides medical belp in Cambodia, and bas offered to send 1,500 soldiers to Somalia wben the US-led Operation Hope gives way to rebuilding political and social institutions.

But the country's main political parties remain divided about bow tbe constitution should be amended, and the extent of Germany's future military role in the UN. Mr Boutros Gbali is expected to adopt a tough stance towards these issues wben be meets the leaders of the parliamentary factions in Bonn today.

Mr Klaus Kinkel, Germany's foreign minister, whose Free Democratic party favours German troops operating under the UN's blue belmets, said the governing Christian Democratic Union/Christian Social Union and FDP coalition and the opposition Social Democratic party would meet this week to try to resolve their differences.

Risk to German economy, Page 2

Ebro sale

Continned from Page 1

Ebro eqnity as collateral for loans to the bolding company.

A spokeswoman at Spain's economy ministry, tbe department whicb bas been snpervising Torras' receivership application as well as negotiating the KIO's phased withdrawal from Spain, said tbe government has reqnested Torras to make a bloc sale of its Ebro holding.

The spokeswoman denied that tbe government would prod Tabacalera, the government-controlled tobacco monopoly which already owns just under 5 per cent of Ebro, into bidding for the Torras stake.

Analysts say Tabacalera, part owner with Italy's Ferruzzi groop of the domestic edible oil gronp Elosoa, is the sole Spanisb gronp close to the agribusiness sector that could approach a deal as big as Ebro.

In tbe absence of a government-backed bid by Tabacalera, Ebro is likely to fall to one of the major European gronps and Ferruzzi is viewed as a front runner among the potential buyers.

Some analysts speculated that Ferruzzi migbt be ruled out by the EC Commission because it already bas substantial sngar interests across Europe. Südzucker, the German sugar group, is tbougbt to be too busy with its activities in eastern Germany and Belgium to take on Ebro.

Tate & Lyle of the UK which holds a 6.4 per cent stake in Azucarera, Spain's other main sugar producer, is rumoured to have decided against involvement.

Overstaffing may put strain on Japan's social contract

By Charlaa Leadbeater In Tokyo

MANY JAPANESE companies feel they are overstaffed, according to an official survay publisbed yesterday, raising the possibility that the Japanese social contract based on lifetime employment could come under strain.

Tbe survey of 18 industries, conducted last month by the Ministry of Labour, found that the steel, electrical appliances, securities and information service industries, reported tbey were overstaffed.

This mounting concern marks a significant shift in Japanese employers' attitudes. Six months ago, most employers were concerned that Japan's slowing birth rate was creating a structural labour shortage by reducing the rate of growth of the labour force to below 1 per cent a year.

However, senior ministry officials believe aome companies may be forced into drastic action, including compulsory retirement for older workers, if the economic downturn persists beyond tbe first three months of the year.

This raises tbe prospect of more Japanese companies in hard-pressed sectors sucb as electronics following tbe lead of companies like Pioneer, the audio equipment manufacturer, whicb recently announced plans for the early retirement of a small group of managers over the age of 50.

Over the past few months, most Japanese companies bave daployed a variety of measures to reduce employment costs without resorting to rednndancies, including cutting bonuses and overtime, freezing recruitment and laying off part-time workers.

However, witb most companies facing their third year of declining profits, many are under presaure to improve profitability tbrougb a more aggressive approach.

In the past four months, about 75 industries have applied to the government for subsidies to help cover the costs of lay-offs from about 80,000 factories. In the mid-1980s, 161 industries applied for tbese subsidies.

Miti expects recovery to be delayed, Page 4

Hopes grow for Bosnia peace talks

Continued from Page 1

Serbs to have, he cited the position of Quebec in Canada, "which has more than 1,000 contracts with France".

Significantly, however, the Bosnian Serb leader said more negotiations were required to provide the Serbs with additional guarantees.

Later Mr Fred Eckhard, conference spokesman, said that in spite of Mr Karadzic's reservations, the Bosnian Serb leader was "leaning very far towards acceptance". Mr Karadzic bas been given until 10am today to reply to the co-chairmen's proposals. Howevar, Mr Eckhard said this sbould not be considered an ultimatum.

President Alija Izetbegovic, the Bosnian president, who is due to rejoin tbe talks today after attending tbe conference of Islamic states in Dakar, will make sure the wording of tbe final conetitutional agreement will be as close as possible to that proposed by tbe mediators.

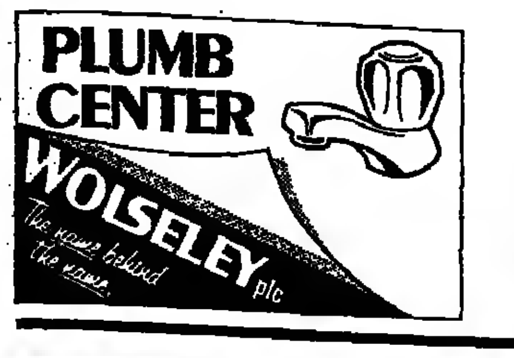
Mr Milosevic gave the impression that he was anxious to help the conclusion of a peace settlement. He stressed thet one of the main principles for a solution was "the equal respect for the interests of all tbree constituent peoples of Bosnia-Hercegovina [Moslems, Serbs and Croatians]".

In London, Britain will today consider reinforcing its 2,400 troops in Bosnia to coincide with the expected introduction of a UN-backed no-fly zone.

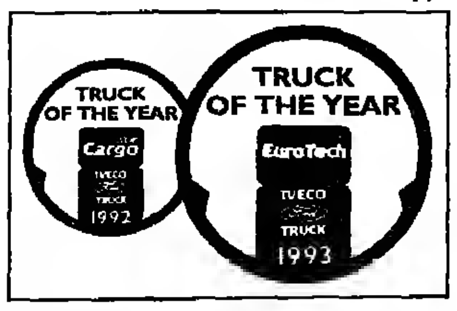
World Weather

		°C	°F			°C	°F			°C	°F			°C	°F			°C	°F			°C	°F
				Boulogne	R	12	54	Frankfurt	C	9	48	Majorca	S	16	61	Oporto	C	10	50	Tenerife	S	18	64
				Brussels	R	11	52	Geneva	R	8	46	Malaga	S	17	63	Oslo	S	2	36	Tokyo	C	8	46
				Budapest	Fg	-1	30	Gibraltar	S	16	61	Malta	F	17	63	Paris	R	12	54	Toronto †	Sn	-9	16
Ajaccio	C	14	57	Buenos Aires	F	32	90	Glasgow	Sn	0	32	Manila	C	31	88	Prague	F	8	46	Tunis	S	16	61
Algiers	S	16	61	Cairo	F	13	55	Helsinki	F	3	37	Melbourne	S	19	66	Reykjavik	F	-5	23	Valencia	S	13	55
Amsterdam	F	10	50	Cape Town	S	23	73	Hong Kong		–	–	Mexico City	F	25	77	Rhodes	S	10	50	Venice	C	7	45
Athens	S	10	50	Caracas	C	28	82	Innsbruck	C	7	45	Miami †	S	24	75	Rio d'Janeiro	C	37	99	Vienna	C	1	34
Bahrain	C	18	64	Casablanca †	S	17	63	Inverness	Sn	-1	30	Milan	C	6	43	Rome	C	15	59	Warsaw	C	5	41
Bangkok	F	34	93	Chicago †	C	-3	27	Islamabad	F	14	57	Montreal †	C	-15	5	Salzburg	S	8	46	Washington †	Dr	-1	30
Barcelona	S	15	59	Cologne	R	12	54	Istanbul	F	6	43	Moscow	Sn	-2	28	S'Francisco †	F	2	36	Zurich	S	5	41
Beijing	S	-1	30	Copenhagen	R	4	39	Jakarta	R	32	90	Munich	C	13	55	Seoul	S	0	32				
Beirut	F	12	54	Corfu	S	14	57	Johannesburg	F	25	77	Nairobi		–	–	Singapore	F	27	81				
Belfast	F	0	32	Dallas †	C	1	34	Lisbon	Fg	10	50	Naples	C	15	59	Stockholm	F	3	37				
Belgrade	F	6	43	Dublin	F	2	36	London	F	10	50	Nassau	F	29	84	Strasbourg	F	11	52				
Berlin	C	11	52	Dubrovnik	S	14	57	Los Angeles †	S	8	46	New Delhi	F	13	55	Sydney	C	26	79				
Biarritz	F	15	59	Edinburgh	Sn	0	32	Luxembourg	R	9	48	New York †	C	-4	25	Taipei	C	21	70				
Bombay	S	28	82	Faro	S	14	57	Madeira	F	18	64	Nice	F	14	57	Tangier	F	14	57				
Bordeaux	R	11	52	Florence	S	14	57	Madrid	C	2	36	Nicosia	C	8	46	Tel Aviv	R	9	48				

Temperatures at midday yesterday
† Noon GMT temperatures
C – Cloudy Dr – Drizzle
F – Fair Fg – Fog H – Hail
R – Rain S – Sunny
Sl – Sleet Sn – Snow
T – Thunder



FINANCIAL TIMES
COMPANIES & MARKETS



Tuesday January 12 1993

INSIDE

Japanese move to stop equity sell-off

Japan's ministry of finance has instructed banks not to sell stock market securities in order to increase their profits before the March year-end. The ministry is reviving a directive, issued last August, in which it announced measures designed to restore confidence in the banking system and the stock market. Page 20

Sandoz out in front

Sandoz, formerly known as the slowest and most inward looking of the big three Swiss pharmaceutical groups, is beginning to look like one of the more dynamic international players. In the past decade, it has slashed large sales and profit gaps with its Basle neighbours, Ciba-Geigy and Roche, and put together an impressive portfolio of innovative drugs. To top things off, it is deliberately moving away from its Swiss base. Page 18

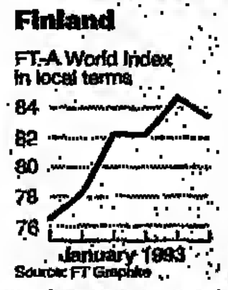
Ladbroke expands in Argentina

Ladbroke Racing, part of the UK-based hotel, DIY, property development and betting group, plans to open at least 70 off-track betting shops in Argentina. The move is another indication of the improving commercial links between Argentina and Britain highlighted by Foreign Secretary Douglas Hurd's visit to Buenos Aires last week. Page 22

Warm welcome in oilfield

A warm and generous welcome is assured for any investor interested in a cheap but potentially troublesome stake in Canada's most ambitious energy project. The government in Ottawa has been scouring the international oil industry for someone to take up to 25 per cent of the Hibernia field, now under construction off south-east Newfoundland. Page 24

Finland greets foreigners



Finland stood out with a 9.1 per cent gain in local currency terms, while the FT-Actuaries World Index ended 1.1 per cent lower in the first trading week of 1993. The abolition of restrictions on foreign ownership and a change in the tax regime have provided further reasons to buy into Helsinki. It received a boost late last year by the devaluation of the markka, which should greatly improve Finland's international competitiveness. Back Page

Shareholders criticise auditors

Small shareholders at the annual meeting of Trafalgar House, the UK group, yesterday surprised the board by voting against the reappointment of its auditors, Touche Ross, in protest at the company's decision to restate its 1991 accounts. Trafalgar immediately fell back on the support of its institutional investors by calling a proxy vote which overwhelmingly backed its decision to reappoint Touche Ross. Shareholders repeatedly voiced their anger that Trafalgar's pre-tax profits of £122.4m for the year ending September 30, 1991, had been restated as a loss of £38.5m ($60m). Page 18; Lex, Page 16; Observer, Page 15

Market Statistics

Companies in this issue

Chief price changes yesterday

FRANKFURT (DM)			
Rises			
Colonia Konzn Pf	467	+	12
Falls			
Aachen Mch Reg	760	−	15
Berliner Bank	241.5	−	6.5
Bil. & Berger	810	−	17
Wella Prf	604	−	11
Zanders Feinpp	200	−	6

NEW YORK ($)			
Rises			
Advanced Intl	4⅛	+	1
IBM	47⅞	+	1⅜
St Paul Bancrp	23¼	+	¾
Falls			
EXEL	43¾	−	1⅛
Nantucket Inds	12	−	2⅛
Sunbeam-Oster	15¾	−	1

New York prices at 12:30.

PARIS (FFr)			
Rises			
Immobanque	639	+	19
Falls			
Air Liquide	754	−	21
Chargeurs	1209	−	56
Elf Aquitaine	341	−	15.2
Fonc Lyonnaise	566	−	25
Havas	427.2	−	16.5

TOKYO (Yen)			
Rises			
Japan Aircraft	580	+	59
Jidosha Buhin	240	+	28
Nakamichi	360	+	25
Falls			
KDK	540	−	35
Showa Rubber	212	−	15
Uchida Yoko	502	−	33

LONDON (Pence)							
Rises				First Nat Fin	54	−	6
Acorn Computer	54½	+	13	Kwik-Fit	122	−	9
Allied Leisure	53	+	7	Lex (A)	125	−	6
Brit Fittings	67	+	9	Lister	28	−	4
C'bell & Armsg	21	+	4	Lookers	108	−	6
Finlax	83	+	7	Meggitt	92	−	5
Hunterprint	50	+	7	Power Corp	13	−	3
Pilco A	365	+	25	Rolls-Royce	114	−	5
Pressac	95	+	10	Simon Eng	110	−	9
Shaw (A)	45	+	4	Stakis	41	−	3
Falls				Vickers	114	−	6
Alexon	82	−	17	Wilkes (J)	44	−	8
Bridon	76	−	6				
Euro Disney	735	−	30				

Banesto to securitise corporate loans

By Tracy Corrigan in London

BANCO Español de Credito (Banesto) yesterday became the first bank in continental Europe to repackage some of its corporate loans for resale to investors in a move likely to be emulated by other European banks which need to boost their capital reserves.

Securitising assets in this way allows banks or companies to remove them from their balance sheets and, in the case of banks, reduce the amount of capital they need to hold.

This is the latest move by a Spanish bank to raise new capital, following a series of preferred share offerings and subordinated debt placements.

A number of Scandinavian banks are also considering the structure. The banking crisis in Sweden, partly caused by the high level of corporate loan defaults, has left Swedish banks in urgent need of fresh capital, even after the government bail-out, and the securitisation of Swedish corporate loans would help free much-needed capital.

Banesto has set up a $1bn euro-commercial paper programme, a type of short-term debt, backed by loans to Spanish companies. The first $30m portion of one-month commercial paper, backed by a single three-year loan, was issued under the programme yesterday. As the commercial paper matures, more paper will be issued throughout the life of the underlying loan. If no investor can be found for the new paper, a back-up liquidity facility has been provided by JP Morgan, the arranger of the programme.

According to JP Morgan, the structure allows Banesto to fund the loans at a cost below the London interbank offered rate, which is cheaper than its normal cost of funds.

Loans to companies are considered the most difficult assets to securitise. Because of their large size, risk is much more concentrated than in the securitisation of, for example, mortgages. Also, unlike consumer loans, they are not homogenous but individually negotiated transactions.

A number of UK banks, which have been experiencing difficulties in the corporate loan market during the recession, have also been eyeing the structure. National Westminster, the UK bank, has already issued corporate loan-backed commercial paper in the US under its $500m Thames Funding programme, set up last October.

Tandy to separate into two divisions

By Louise Kehoe in San Francisco

TANDY, one of the largest US consumer electronics retailers and manufacturers, is to split into two independent companies by spinning off its manufacturing operations.

The manufacturing unit, to be called TE Electronics, will produce personal computers, audio equipment, office furniture and other consumer products. It will be publicly traded.

Tandy, meanwhile, will continue operating its chain of 7,000 Radio Shack consumer electronics stores as well as expanding its Computer City and Incredible Universe superstores.

About 100 of its 413 McDuff's and VideoConcepts speciality stores in the US that are unprofitable will be closed.

Mr John Roach, chief executive of Tandy, said: "The proposed separation of retail businesses from our manufacturing business will permit Tandy to focus on retailing and its new retail concepts and broaden its product line."

He added: "We don't want our retail formats to be impeded by ties to manufacturing, and we want to open new opportunities to our manufacturing side."

For the year ended June 30, Tandy recorded earnings of $184m (£121m) on $4.68bn revenue. The previous year, it earned $195m on $4.56bn revenue.

TE Electronics will include all 25 of Tandy's manufacturing operations worldwide. In the 1992 fiscal year, the combined sales of these units as a separate company would have been about $1.5bn. TE Electronics expects to take a pre-tax charge of about $20m related to the spin-off.

The sales of Tandy's retailing operations during calendar year 1992 were about $3.8bn, the company said. US retail sales in December were $604.6m, a 7 per cent increase on last year.

Tandy will take a $47.5m charge for restructuring its retail operations, including the closure of the unprofitable speciality stores. Mr Roach said most of Tandy's 6,300 employees would not be affected.

Stockholders will receive shares of TE in the form of a tax-free dividend, pending approval by the company's board of directors and the Internal Revenue Service.

● Tandy said yesterday it had agreed to resolve all outstanding litigation between itself and Texas Instruments.

BSkyB in link with Viacom channel

By Raymond Snoddy in London

BRITISH Sky Broadcasting and Nickelodeon, the children's channel owned by Viacom, the US media group, yesterday announced a joint venture to produce a children's television channel for the UK.

The channel, which will include original British programmes for children, is the first example of BSkyB's policy of extending the range of channels on offer through joint ventures.

The new channel, managed as an independent business, will be launched in October. This is the first move into the UK by Nickelodeon, which claims to be the largest producer of children's programmes in the world. In the US the Nickelodeon cable channel is available in 58m homes.

Ms Anne Sweeney, senior vice president of Nickelodeon's Program Enterprises, said yesterday one of its main goals was to create a worldwide network for children combining US programmes with programmes produced with local partners. The UK Nickelodeon channel will be part of BSkyB's planned "basic tier" of channels. These are free but will later be included in a subscription package costing about £4 ($6) a month.

An agreement in principle has already been reached between BSkyB, in which Pearson, owners of the Financial Times, has a 16 per cent stake, and TCI, the US cable group, to add three channels to the basic package. They are Bravo, the classic film channel, The Children's Channel and Discovery, the factual and documentary channel.

The Nickelodeon deal makes it more likely that MTV, the pop music channel also owned by Viacom, can also be enticed into the subscription package.

Alice Rawsthorn on the streamlining of the French holding company

Squeezing Suez down to size

Among the cerebral ranks of the French financial elite, Mr Gérard Worms, chairman of Suez, one of France's largest financial and industrial holding companies, is noted for his cheerful temperament and unflappable air.

Mr Worms has, over the past few months, needed every gram of cheerfulness as Suez has been hit by crisis after crisis. Its banking, insurance and property interests have been badly affected by France's economic slowdown. It has spent FFr2.4bn ($433m) to recapitalise Indosuez and La Hénin, its banking subsidiaries. Suez has also clashed with Union des Assurances de Paris (UAP), one of its largest shareholders.

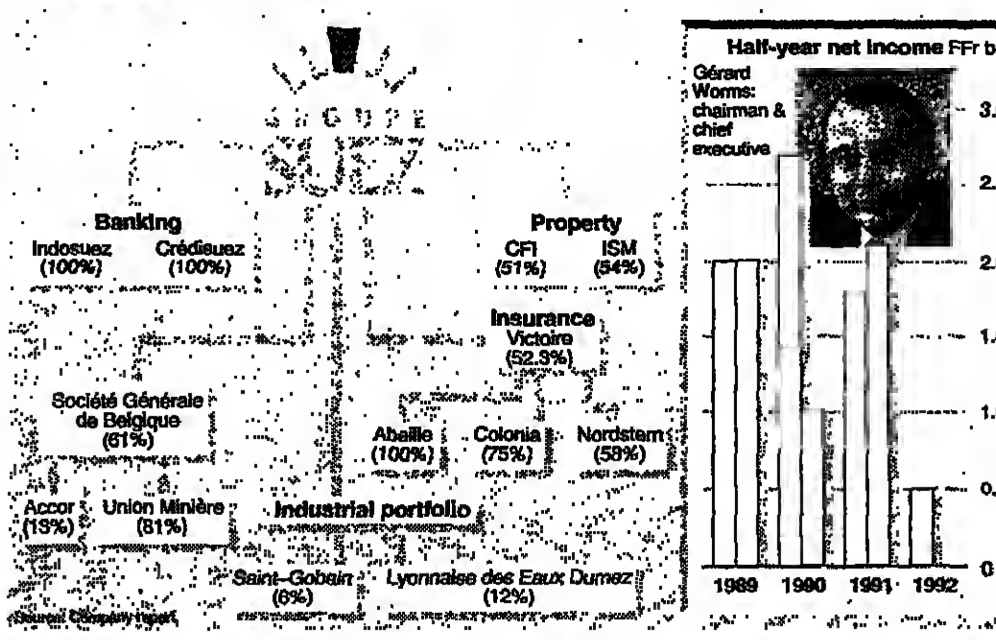
The outlook for 1993 looks little better. Mr Worms faces a bracing 12 months in which he must get to grips with Suez' operational problems and make the peace with UAP, while trying to complete the long-term restructuring of the group.

"This is the first time in our history that every area of the business has hit the bottom of the cycle," said Mr Worms. "The worst is probably behind us, but 1993 will still be tough."

The economic squeeze came just as Suez was absorbing the motley assortment of industrial interests it acquired in the bruising battle for Société Générale de Belgique. The integration of La Générale has been unexpectedly difficult, not least because Suez was a classic French holding company with stakes in dozens of different companies.

Mr Worms' main objective since becoming chairman in 1990 has been to streamline the group by selling peripheral interests. By last autumn Suez had made FFr11bn of disposals, FFr5.5bn of which came from La Générale. In theory it should now be nearing the end of its restructuring. Instead Suez is struggling to adjust to the depressed state of its investment banking and insurance interests and to the crisis in the Paris property market where average rentals have fallen 20 per cent over the past three years.

The state of Suez



Suez has already announced a steep fall in 1992 interim net income from FFr1.8bn to FFr500m. Indosuez and La Hénin have had to be recapitalised after making hefty property provisions. Indosuez last week raised around FFr400m from the sale and leaseback of its Paris headquarters. However Paribas, the French bank, still predicts a fall in net profits from FFr3.8bn in 1991 to FFr1.4bn in 1992.

Mr Worms expects to reduce the level of provisions this year, but does not anticipate any improvement in the property market. However he does hope for a modest recovery in insurance, and possibly investment banking, in the second half.

In the meantime the cost cutting and disposals will continue. Suez has already made FFr1.5bn of disposals since last autumn and Mr Worms plans to raise another FFr3.5bn over the next 12 months. By the end of 1993 he hopes to have finished the restructuring. "We will be less like a conglomerate of independent companies, I want to see more co-operation," he said. "Suez must operate as a group."

Paribas expects Suez' profits to settle at FFr2bn in 1993 before strengthening in 1994. "The restructuring has been very complicated," said Mr Pierre Flabbée, an analyst with Paribas in Paris. "But the management is sound. They have been very honest about their problems and have the right strategy for the future."

However Suez still has to resolve the row with UAP. The two groups fell out late last year when Suez broke off negotiations to sell control of Colonia, a German insurer, to UAP. Mr Jean Peyrelevade, UAP chairman and one of Mr Worms' predecessors at Suez, had refused to pay the extra FFr1.5bn that Suez wanted for the controlling stake.

So far Suez has held a winning hand. UAP has made no secret of its eagerness to control Colonia, but Suez has no real need to sell. The affair has also helped Mr Worms to show he can stand up to his old boss.

Mr Peyrelevade is now putting pressure on Suez. UAP recently invested in Nordstern, the most profitable part of Colonia. It could now step up the pressure through its stake in Suez itself, 6.3 per cent of the shares and 10 per cent of the votes.

Mr Worms is unflappable. "There is no real problem with UAP," he said. "Jean Peyrelevade and I understand each other" he said. "The only difference between us is price – and isn't that always the case in business?"

Saudi prince buys stake in Saks Fifth Avenue store chain

By Nikki Tait in New York

A SAUDI prince who acquired a sizeable minority stake in Citicorp two years ago has become a large investor in Saks Fifth Avenue, the US department store group which was bought by Investcorp, an Arab-led investment consortium in 1989.

Investcorp said yesterday that United Saudi Commercial Bank had arranged for some of its Saudi clients to buy a stake of approximately 11 per cent in the retail group, for $100m. The principal investor in the transaction was said to be Prince Alwaleed Bin Talal Bin Abdulaziz Al Saud, United Saudi's chairman.

Prince Alwaleed became chairman of the Saudi bank after he bought a controlling interest in 1987. But he is probably best known for his stake in Citicorp, the largest US commercial bank.

The prince surfaced as an investor in the US bank in early 1991 when he snapped up $590m-worth of convertible stock, one of the largest placements of stock with a private individual in the history of US banking.

However, he was already a large ordinary shareholder in the bank, and is now reckoned to have invested about $800m in Citicorp's preferred and ordinary shares.

United Saudi Commercial Bank said yesterday that the $100m investment did not represent new money for Saks, but the placement of a portion of an additional $300m investment which Investcorp made in Saks last year.

Investcorp, which acquired Saks from Britain's BAT Industries for $1.6bn, disclosed the $300m injection last February.

Although the capital infusion came at a time when adverse rumours about the condition of Saks' finances were circulating, Saks maintained that it was essentially a refinancing, designed to help the retailer shed its highly-leveraged transaction status, and borrow funds more easily and cheaply.

Tomkins up despite lower sales

By Richard Gourlay in London

TOMKINS, the UK conglomerate with extensive US interests including Smith & Wesson handguns, yesterday reported an 8.2 per cent increase in earnings per share.

The overall operating profit rose to £39.01m ($59m) from £37.04m on sales that were 3.2 per cent lower at £575.50m. The sales reduction was partly due to the translation effect of a stronger dollar for most of the period and partly because Tomkins was controlling the level of activity on both sides of the Atlantic.

This in turn meant operating companies were returning cash to the centre, allowing interest income to rise 51 per cent to £6.29m in spite of falling rates.

Earnings per share in the six months to end-October grew 8.2 per cent to 4.87p and pre-tax profits rose from £43.75m to £47.07m. The interim dividend is to be increased 12.1 per cent to 1.605p.

These will be the last set of figures before it includes Ranks Hovis McDougall, the UK milling baking and grocery product group it acquired last month.

Mr Greg Hutchings, chief executive, said that the earnings increase was the product of "pure organic growth" and demonstrated Tomkins' ability to grow without acquisitions.

The six-month period had been "one of the toughest six-month periods we have ever had in Tomkins", Mr Hutchings said. Nevertheless, nearly half its companies had managed to increase profits.

On the trading front, Mr Hutchings was cautious about economic recovery even in the US where a number of its companies, particularly in the industrial products division, performed well.

The group expected to end up with net cash in the bank after the RHM acquisition. At the end of the reporting period and before the bid, Tomkins had £184m of net cash.

Hedging allowed Tomkins to limit the adverse 8 per cent swing in the value of dollar so that it had less than a 1 per cent negative impact on profits.

Mr Ian Duncan, finance director, said the Tomkins approach was to buy companies to manage them but that he would not rule out sales.

"We valued RHM on the basis that we would live with it for a long time. If we sell because we are approached by someone who values them at much more, then that is icing on the cake for shareholders."

Recreational vehicles and bathware helped the industrial products division to £14.75m of operating profit, a 33 per cent increase in spite of the dollar's movements. Operating profits of £9.20m, in fluid controls, and £7.44m in services to industry were both down, although margins were more or less maintained. Profits in professional, garden and leisure products were marginally ahead at £7.63m.

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Trafalgar House auditors criticised in AGM vote

By Roland Rudd in London

SMALL shareholders at Trafalgar House's annual meeting yesterday surprised the board by voting against the reappointment of its auditors, Touche Ross, in protest at the company's decision to restate its 1991 accounts.

Trafalgar immediately fell back on the support of its institutional investors by calling a proxy vote which overwhelmingly backed its decision to reappoint Touche Ross.

But Mr Alan Clements, chairman, acknowledged the criticism from small shareholders. He said: "The question of auditors is one we will have to return to. We will have a beauty contest on this matter later in the year."

Shareholders repeatedly voiced their anger that Trafalgar's pre-tax profits of £122.4m for the year eoding September 30, 1991, had been restated as a loss of £38.5m.

The Financial Reporting Review Panel decided that property write-downs should be taken througb the profit and loss account and oot through the reserves.

Mr Alec Spurway, a small shareholder, asked to lood applause: "What did the auditors think tbey were doing when they signed off the 1991 accounts?" Another accused Touche Ross of acting as the "directors' poodla" instead of representing sbareholders' interests.

After repeated calls for Touche Ross to defend its performance, Mr David Jenkins, the partner responsible, argued that the 1991 accounts were true and fair before the company was forced to restate them. His commeots were greeted witb shouts of "resign".

In defence of the auditors, Mr Clements said tbe 1991 accounts "were right at the time".

But Mr Peter Jent, another small shareholder, asked him how he could reconcile what was said hy the company in 1991 and what was going on oow. "It is very disturbing that we have been so badly misinformed," he said. Others called for the company to be mors open with their investors. Some shareholders argued that oew faces were oeeded oo the board after the present directors had made sucb a "hash of the accounts".

Mr Clements concluded: "We are fully aware of what you think of us ... and that some of yon would like us to go as speedily as possible." Trafalgar's ordinary shares fell 2p to 87p; the A shares fell 1p to 85p.

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Siemens, Skoda in fresh talks

SIEMENS, the German electronics group, is to meet witb Skoda Pilzen of the Czech republic today to talk ahout possible co-operatioo in tbe transport business, Reuter reports from Erlangen.

A Siemens spokesman said the talks betweeo Mr Lubomir Soudek, the Skoda chairman, and Mr Wolfram Martinsen, a Siemens management board member in charge of the transport business, were initiated hy Skoda.

Earlier talks between tbe groups about joint ventures in power generation and transport have run into difficulties about the terms.

Siemens has said it was fundamentally interested in co-operating with Skoda, but the joint ventures had become financially unfeasible due to the demands from Skoda.

The spokesman said the two groups would focus on the possible co-operation in the transport sector today and talks on energy co-operation would be a secondary issue.

NEWS IN BRIEF

● BFG BANK sbould make a profit this year, according to Mr Micbel Renault, managing director of France's Crédit Lyonnais, Renter reports from Paris.

Tbe Frencb state-owned bank took s stake of 50 per cent plus one share in the troubled German bank st the and of last year for a casb and equity injection totalling DM1.2bn ($750m).

"The new team has ... put in place measures over two years, which sbould allow BfG to return to profitable business from this year," Mr Renault said. BfG made a group operating profit, adjusted for extraordinary items, of DM144m in 1991 after a loss in 1990.

● A CONSORTIUM of four creditor banks and the state-owned Ferunion Foreign Trade Co has acquired Salgglas Rt, the troubled Hungarian glass-maker, Renter reports from Budapest.

Ms Eva Botlik, managing director of Inter Europa Bank, said tbe consortium, called Glasunion Kft, planned for Salgglas to supply windshields to the Suzuki factory in Hungary and was seeking markets in Ukraine, according to a local news agency.

Salgglas, whicb declared bankruptcy in May 1992, made a 270m forint ($3.2m) loss in 1991 on sales of 2bn forint. It has not yet reported 1992 results.

● COCKERILL SAMBRE, the Belgian steelmaker, will continue its investment programme to modernise key facilities despite poor earnings, Renter reports from Brussels.

Mr Jean Gandois, the chairman, met union representatives yesterday and told them the main investments in 1993 will be carried out. These include modernising one blast furnace. Another furnace was due to be modernised in 1994. The company said said last week that it was likely to show a 1993 loss in its steel business.

● ROUSSEL UCLAF, tbe French pharmacentical company, said it had sold its 22.7 per ceot stake in Jouveinal to Jouveinal's controlling Roux family, Renter reports from Paris.

Moody's downgrades six Swedish banks

By Richard Waters in London

THE LONG-TERM debt ratings of six Swedish hanks were downgraded yesterday by Moody's Investors Service, the US rating agency, while two others were npgraded.

Moody's said the downgrades reflected a view that the banks are likely to emerge solvent, thoogh not financially robust, after measures agreed in December to shore up the Swedish banking system. The package was not the equivalent of a permanent guarantee, though it provides protection for creditors over the medium-term, Moody's said.

The senior debt ratings of two banks – Skandinaviska Enskilda Banken and Nordbanken – were redneed by two notches, from AA3 to A2, while Svenska Handelsbanken was cnt one notch to A1.

SBAB was also cnt from AA1 to AA3, Spintab from AA2 to AA3 and Swedbank from A to A2.

Howcver, the short-term ohligations of both Gota Bank and Industrikredit to Prime-1 from Prime-2, reflecting the fact that the December package redneed tbe uncertainty concerning these two banks after tbeir serious financial deterioration.

● Both Standard & Poor's and Fitch, the US ratings agencies, have followed Moody's decision last week to pnt the credit rating of Credit Suisse under review for a possible downgrade following the announcements of its agreed takeover of Swiss Volksbank last week.

● The credit rating for long-term debt in Baltica Holding, the Danish insurance gronp and Baltica Bank, its bank, has been was reduced from BBB to BBB minus hy Standard & Poor's, adds Hilary Barnes in Copenhagen.

The US rating agency cited Baltica Holding's forecast of losses of between DKr2.5hn ($395.6m) and DKr2.8bn for 1992 and a 40 per cent rednction in equity capital during the year.

However, S&P added that it expected Baltica to return to profitability in 1993.

Sandoz awakens from slumber to rejoin global chemical leaders

Ian Rodger reports that the group is closing the gap with its rivals

MENTION tbe name Sandoz, and those who recognise it are likely to remember the large escape in 1986 of toxic chemicals into the Rhine st Basle.

The pharmacautical and chemicals gronp was responsible for that ecological disaster, and its directors remain deeply scarred by the experience.

However, Sandoz, formerly known as the slowest and most inward-looking of the big three Swiss pharmaceutical groups, is suddenly beginning to look like one of the more dynamic international players.

In the past decade, it has slashed large sales and profit gaps with its Basle neighbours, Ciba-Geigy and Roche, and put together an impressive portfolio of innovative drugs.

Its biggest-selling product, Sandimmun, or cyclosporin A, is the drug of choice to suppress immune reactions to transplanted organs; its Clozaril, or clozapine, bas achieved success in treating schizophrenics. Analysts agree that it has an impressive list of new products in the pipeline.

Sandoz, the world's eighth-largest pharmaceutical group, is at the forefront of the new trend to tie up with leading edge researcb institutes and companies to sbarpen their research efforts.

Last month, it announced a collaboration witb Scripps Research Institute, a leading US medical research organisation, under which it would spend more than $300m over 10 years on jointly-agreed projects. In 1991, it splashed ont $392m for a 60 per cent stake in a biotechnology start-up company in California, and another $100m for a research tie-up with the Dana-Farber Cancer Institute in Boston.

To top things off, it is deliberately moving away from its Swiss base. "We are, of course, a Swiss multinational, but we are above all citizens of the world," Mr Marc Moret, tbe group's 69-year-old chairman said in an interview. "We have 4 per cent of our sales in Switzerland, 96 per cent abroad. That is a good mirror of our priorities."

Mr Moret, a craggy, shy Swiss industrialist with a repntation for being autocratic, is the man most identified with these transformations, and he does not suffer from false modesty about it.

The turning point was when he was promoted from finance director to chief executive in 1981.

Even though the group was healthy, he demanded the authority to cnt out fat. "This was not a common thing to do in continental Europe at that time. But it was the beginning of a phase of rapid expansion, and you can see the results."

A more radical shake-np two years ago put all tbe main Sandoz divisions into incorporated subsidiaries. The idea was not only to decentralise responsibility but also to make it easier to divest a laggard division if an opportunity arose.

"We now say to the division heads, 'Yon are part of this Sandoz club. You must prove that yon have the people, the organisation and the results that make yon worthy of continuing among Sandoz activities'," Mr Moret says.

Sandoz long lagged behind its neighbours in moving production out of Basle and in appealing to foreign managers and investors.

Until recently, more than 90 per cent of its chemicals for drugs were made in the city. Its goal is to bring that down to 50 per cent as soon as possible.

And the first non-Swiss has just been appointed to tbe group managing board. "In the group management, we have too few foreigners. The difficulty is language. We speak German and sometimes French.

"Thank God, more and more British – more British than Americans – are beginning to take up languages."

Marc Moret: shy industrialist who transformed company

The group no longer restricts foreign ownership of its shares. "We cannot on the one hand be multinational and on the other remain little egotistical and jealous Swiss," Mr Moret says. Foreign ownership has soared to more than one-third in the past two years.

But probably the most important changes are in the group's researcb and development policy. Whereas the entire R&D effort used to be carried out in-house in Basle, the group has recently set up several centres outside Switzerland and formed alliances with external research institutes, such as Scripps.

These deals are aimed at getting closer to tbe leading edge of technologies than is likely in-bouse. "We multiply the potential for success by a considerable margin," Mr Moret believes.

He does not deny that the company gives up some control by handing fistfuls of money to thrusting young scientists, although the amounts are still modest relative to its SFr1.4bn ($0.97bn) annual R&D budget. "Perhaps we lose in precise and efficient management, but it is more important to let some researchers have their freedom," he says.

He cites the discovery and devalopment of Sandimmun, a story book tale of a Sandoz scientist, Jean-François Borel, toiling in an almost clandestine way in the mid-1970s after the company had officially given up immunology research. The product now accounts for about one-third of Sandoz pharmaceutical revenues.

Other big pharmaceutical companies are following the same route. Roche two years ago bought a 60 per cent stake in the US biotechnology group, Genentech, and in 1991 Glaxo, the leading UK pharmaceutical group, set up a joint research programme into diabetes and obesity treatment with Amylin, a California biotechnology company.

"It is an increasing trend in the industry," says Mr Peter Smith, a pharmaceuticals analyst at brokers James Capel in London.

"It is like a day at the races. You back a number of 10 to one shots, and probably one of them is going to come in."

It is thus a strategy that lessens the risk of being left without any good new prodncts coming to market, although if that did happen, Sandoz has the financial power for a larger acquisition.

Mr Moret said last year that he could put together "a few billion Swiss francs" in a hurry if be wanted to.

"Who says we will not do a big thing some day," ha said in tbe interview. There was no urgent need, but things moved quickly in the pharmaceutical field these days. "Scripps was not on the programme nine months ago," he said.

SANDOZ: CONSOLIDATED SALES - SFr (m)

	1990	1991
Pharmaceuticals	5,680	6,368
Chemicals	2,280	2,355
Nutrition	1,340	1,543
Agro-chemicals	1,150	1,157
Construction and Environment	1,000	1,068
Seeds	920	955
Total	12,370	13,444
Net profit	967	1,114

INTERNATIONAL COMPANIES AND FINANCE

S&P sees improvement in quality of US credit

By Nikki Tait in New York

STANDARD & POOR'S, one of the largest Wall Street credit rating agencies, yesterday maintained that the slump in credit quality in the US had reached its nadir, and was now improving in certain areas.

But it suggested that a declining trend was still under way outside the US, and that credit standings of non-US corporations could worsen further this year.

Mr Leo O'Neill, S&P's chairman, attributed the improving US picture to four factors:

- the improving economy;
- the restructuring of corporate balance sheets, which produced record levels of debt and equity issuance last year;
- hetter capital ratios and improving asset quality in the banking sectors;
- and on the municipal front, efforts by state and local governmental organisations to balance their budgets.

The improved US situation is relative, however. S&P revealed that, in 1992, it still made 492 downgrades, representing $383bn of debt, compared with 252 upgrades, representing $126bn worth.

But the margin between down and upgrades narrowed significantly.

In 1991, for example, there were 695 downgrades overall, covering $504bn of debt – and for US industrial corporations, upgrades and downgrades were roughly similar in number last year. S&P said there were 189 downgrades representing $141bn of debt, compared with 150 upgrades, covering $86bn worth.

Looking ahead, Mr O'Neill suggested that S&P saw continued pressure on credit ratings in some sectors of the US economy, notably retailing, airlines, computers, publishing, and the property-casualty insurance sector where the costs of Hurricane Andrew are still taking a toll.

But he also forecast improvements for the banking, telecommunications, environmental waste, supermarket, and electric utilities sectors.

Outside the US, S&P painted a bleaker picture. It noted that $122bn of debt from non-US institutions was downgraded in 1992, compared with only $1.7bn-worth which was upgraded.

The non-US downgrades also represented 32 per cent of all corporate downgrades, compared with 19 per cent in 1991.

Mr O'Neill forecast a further year of rating downgrades for Europe generally, including the banking and corporate sectors.

He also suggested that the prolonged slowdown in the Japanese economy spelt further pressures there.

Hewlett-Packard to invest $16.5m in Netherlands laser printer plant

By Ronald van de Krol in Amsterdam

HEWLETT-PACKARD, the US computer group, is to invest Fl 30m ($16.5m) in building production lines for laser printers at its European distribution centre in Amersfoort, in the Netherlands.

When completed in March, the expanded Dutch facility will have two production lines with a combined capacity of 80,000 printers per month.

The Dutch site, which is set to double in size to 20,000 square metres, may eventually house up to five production lines, depending on market demand.

HP, which claims world market leadership in laser printers, has two other European printer production plants in Spain and Italy.

The printers assembled in the Netherlands are destined for customers and resellers in Europe, where the market for laser printing is less mature than in the US, opening up prospects of healthy growth in demand, HP said.

The Dutch investment is part of HP's attempts to reduce the time it takes to get printers and other products to customers. By combining production and distribution in one location, the company also aims to cut costs and enhance flexibility, enabling it to produce tailor-made printers for customers requiring specific configurations.

The Amersfoort production site will create up to 200 jobs over the next few years. The production lines will be operated by a subsidiary of Van Ommeren, the Dutch shipping and storage group, which also runs HP's distribution centre.

BCE takes 5% stake in Spar Aerospace

By Robert Gibbens in Montreal

BCE, Canada's hlggest telecommunications group, has hougbt a 5 per cent direct interest in Spar Aerospace in order to ensure a strong role in the development of international satellite communications projects. BCE paid C$8.5m (US$6.6m) for a block of subordinate voting shares held hy Mr Larry Clarke, Spar chairman.

BCE and Spar already control Telesat, the Canadian domestic communications satellite operator which was privatised recently.

Spar is Canada's sole space equipment contractor and is best known for the Canadarm sbuttle manipulator.

BCE, which is concentrating on its telecommunications businesses, plans to sell its 25 per cent interest in SHL Systemhouse, a fast growing computer systems integrator.

Northern Telecom in tie-up with US group

NORTHERN Telecom of Canada and Bell Atlantic of the US have formed a partnership to market and service private telecommunications systems, primarily in the mid-Atlantic region of the US, Reuter reports from Nashville.

The Canadian telecoms group said it would have a majority interest and a managing role in the partnership. Other terms were not disclosed.

The partnership, Bell Atlantic Meridian Systems, has acquired substantially all the assets of Bell Atlanticom Systems, a Bell Atlantic subsidiary.

Northern Telecom said the 800 or so Bell Atlanticom employees would join Bell Atlantic Meridian Systems.

The partnership will sell and service Northern Telecom's Meridian 1 private branch exchange systems and Meridian Norstar key systems, as well as most other product lines supported by Bell Atlanticom.

Northern Telecom has similar partnerships with Nynex and Pacific Telesis of the US.

NWA and KLM win anti-trust immunity deal

By Nikki Tait

THE US Department of Transportation has given its final approval to an anti-trust immunity request from Northwest Airlines, the fourth-largest US carrier, and KLM Royal Dutch Airlines, the Dutch flagship carrier.

The Dutch airline already holds a minority share interest in the US airline – a move that could herald integration of the two carriers' operations.

The approval will provide the two airlines with immunity from anti-trust suits as they link up operations.

It comes in the wake of an "open skies" agreement – a liberal aviation pact – negotiated between the Dutch and US governments last year.

Restructuring of O&Y debt begins

By Bernard Simon in Toronto

CREDITORS of Olympia & York have begun approving proposals which are likely to lead to a gradual dismemberment of what was once the world's biggest property developer.

Three of O&Y's 33 creditor groups set the process in motion yesterday morning, quickly passing debt restructuring plans for relatively minor properties in Toronto and Ottawa partially owned by O&Y. Three meetings were adjourned to consider "technical amendments".

Five more meetings were due to take place later yesterday, and tbe remaining 22 are scbeduled over the rest of the week. The meetings are being held behind closed doors, either at the Toronto offices of Davies Ward Beck, O&Y's legal firm, or at a local hotel.

The proposals being voted on this week involve about two-thirds of O&Y's C$13.5bn (US$10.5bn) debt. They do not include the Canary Wharf project in London, which is in the hands of administrators, nor O&Y's US properties. Negotiations are continuing separately with lenders to the US buildings, the only part of the O&Y empire which remains outside bankruptcy protection.

Under the proposals, creditors with loans secured by individual buildings will generally be free to seize their collateral. O&Y has already handed over one Toronto building, the 45-storey Aetna Centre, to the mortgage holder.

It is expected to lose control in coming months of several other properties, including First Canadian Place, its 72-storey flagship in the heart of the city's financial district.

Most of the remaining Canadian assets of O&Y Developments, the present holding company, will be transferred to a new management and leasing company, called O&Y Properties. In a circular to creditors, O&Y last month described O&Y Properties as a "viable, self-financing entity".

Although the Reichmann family will continue to be represented on the boards of directors of both companies, control will be in the hands of a court-appointed administrator.

Loans secured by O&Y's stakes in papermaker Abitibi-Price, energy producer Gulf Canada Resources and property developer Trizec, will be serviced out of available cash-flow from the pledged shares. These loans will be treated as unsecured to the extent of any deficiency in debt-service payments.

Payments to unsecured creditors will ultimately depend on the course of the North American real estate market and on O&Y's ability to re-establish itself.

A five-person "monitoring committee", nominated by the unsecured creditors, will be set up to safeguard their interests.

Ontario Hydro awaits the big stick

Robert Gibbens on the tough task facing the utility's new chairman

MR MAURICE Strong, United Nations glohe-trotter and organiser of the 1991 Esrth Summit in Rio, has taken on wbst may prove to be one of his toughest challenges.

The 63-year-old millionaire must get Ontario Hydro's costs under control, cap its C$36bn (US$30bn) debt, and force power rates in Canada's most populous province into line with the national consumer price index.

Ontario Hydro, be says, is "a corporation in crisis, and it is absolutely critical that we get our fiscal house in order".

Ontario Hydro, along with Hydro Quebec, are among North America's biggest electric power utilities. They are controlled hy their provincial governments and eacb has total available capacity of about 30,000MW.

Ontario Hydro's higgest beadache is the soaring costs of its nuclear generating capacity – some of which has hecome surplus because of slow economic growth.

Ontario Hydro, with assets of ahout C$50bn, is more than half nuclear-hased. Its plants near Toronto are the showcase for the Canadian heavy water-type reactor. But operating costs at its Pickering and Bruce plants have proved much higher than expected.

Colin Beere

Maurice Strong: the Canadian generator is 'saveabla'

A retubing programme now planned at Bruce would cost C$2.5bn. Similar work at Pickering burdened the budget proportionately during the 1980s.

But Ontario Hydro is now struggling witb the Darlington nuclear plant, originally estimated to cost C$2bn for 4,000MW of installed capacity in 1977, but now carrying a total cost of C$14bn. Darlington was to have been completed in 1988, hut has contributed little to the Ontario grid.

The three-year recession and a severe shake-up in Ontario's manufacturing industry have resulted in stagnant growth in demand for power. In the 1970s, it was growing at an average of 7 per cent or more annually.

Wbat incenses Ontario industry and consumers is a 30 per cent climb in power rates in the past three years. The utilities' debt has now reacbed C$36bn and rates, legally, must rise in step with deht.

Industrial users say the province has lost its comparative advantage of cheap power, making it more difficult for them to compete with the US. Consumers complain the rate rises are proof of the utility's inefficiency and mistakes in forecasting demand.

Mr Strong, a westerner who made his first million in oil and gas, later headed Power Corp of Canada, the Montreal conglomerate, and then set up Petro-Canada, the natiooal oil company, in the 1970s.

He was recently confirmed in his new job as Ontario Hydro chairman at C$425,000 a year, following Mr Marc Eliesen, who, sppointed only 14 months ago hy Ontario premier Mr Robert Rae, only had time to make a start on cutbacks.

Mr Strong has confirmed his predecessor's cuts of up to C$10hn in the utility's 10-year capital spending. About 2,000 will be cut from Ontario Hydro's payroll and retirement offers made to several thousand of its 28,000 workforce.

A C$13bn multi-year power purchase agreement with Manitoba has been terminated, requiring a penalty estimated at between C$150m and C$300m. A complete hydro electric project in Manitoba has now been delayed indefinitely. Critics cbarge that Ontario Hydro is in a "death spiral" and threatens the province's whole economy.

"All through the post-war growth period, people thought Ontario Hydro could do no wrong," said Mr Tony O'Donohue, director of the Toronto Hydro Commission, the utility's biggest single customer. "But that was before tbese double-digit rate increases. Municipalities are forced to consider other sources or even producing their own power."

Some argue the only effective way to svoid disaster would be to break up and sell the utility. But tbe nuclear generating side would remain a millstone around the province's neck because it can never make a private-sector rate of return. And the distribution grid would remain provincially owned.

Asked whether Mr Rae would allow him to wield the big stick, he replied: "I can't do it alone, hut Ontario Hydro is saveahle. In a few years we'll be looking back to 1992-3 as a key transition point."

Japan's MoF in bid to stop equity sell-off by banks

By Emiko Terazono in Tokyo

JAPAN'S Ministry of Finance has instructed banks not to sell stock market securities as a means of shoring up profits ahead ol the March 1993 year-end.

The ministry is reviving e directive, issued last August, when it announced a package of measures aimed at restoring confidence in the banking system and the stock market. These included guidelines for banks not to sell stocks ahead of the half-year.

Despite brief euphoria over the crown prince's engagement last week, the leading Nikkei stock index has fallen 2.3 per cent on meagre volume since the new year, and investors are growing increasingly worried over a potential sell-off as an increasing number of companies bave started to liquidate shareboldings ahead of March.

Corporations not under the jurisdiction of tbe Finance Ministry are selling stocks in an attempt to prop up faltering profits in tbe current economic downturn. Japanese companies soid a oet Y210bn worth of stocks last montb, rising above the Y200bn level for the first time since October 1991.

Selling pressure is also expected to increase in Marcb through a potential Y650bn in unwinding of stocks bought on margin, and Y1,000bn in investment trust redemptions.

Stock sales by companies may undermine efforts by financial authorities to prevent a "vicious circle" such as last year when the Nikkei average plunged on stock selling by banks to realise profits on holdings. This eroded unrealised gains on share investments, ard created a further need to raise profits by selling shares.

Aside from puhlic money from postal sevings and the national pension, genuine buying interest seems to bave dried up. Nikko Securities said the market now hoped for buying by foreign investors, wbo in the past bave been leading buyers of Japanese shares.

The ministry's guidance is likely to prompt criticism from tbe country's ailing brokers. One securities house official complained that additional regulatory interference to belp the banks could further undermine investors' appetite for Japanese shares, which remain expensive at an aversge price/earnings ratio of 52 times.

Last year's trading volume was the lowest since 1975, with activity declining after the government implemented emergency measures to restore investor confidence in August.

Hertz in venture with Shanghai Dazhong Taxi

SHANGHAI Dazhong Taxi, a mainland Chinese cah operator, has set up a car leasing and rental joint venture with Hertz, one of the world's lesding car hire companies based in Chicago, Reuter reports from Hong Kong.

Mr Michael Ning, vice-president with responsihility for Chinese operations of Standard Chartered Asia, Dazhong Taxi's financial adviser, said: "Shanghai Dazhong Hertz, headquartered in Shanghai, is going to invest US$6m to huild up a fleet of 800 vehicles, including ordinary and luxury cars." The venture, two-thirds owned by Dazhong Taxi and one-third hy Hertz, will build up the fleet in three phases up to 1995, Mr Ning said.

Hertz is 49 per cent owned by Ford Motor, the US group, and 26 per cent by Volvo, the Swedish vehicle maker.

Cars could be rented for as little as two hours or leased for up to three years, Mr Ning said.

Dazhong Taxi has A and B share listings for Chinese and foreigners respectively on the Shanghai Securities Exchange.

GFSA to sell assets of lossmaking gold mine

By Philip Gawith in Johannesburg

GOLD Fields of South Africa (GFSA), one of the country's largest mining bouses, yesterday announced that tt planned to sell the assets of the lossmaking Doornfontein gold mine, which is likely to cease production within the year.

Mr Alan Munro, executive director, said that in spite of tbe mine's improved performance during the December quarter, prodnction was insufficient to cover working costs at the current gold price.

Doornfoutein reduced tts loss to R5.87m ($1.9m) during the quarter, from R17.34m during tbe previons three months.

The announcement was not unexpected, and forms part of a trend in the industry to close marginal mines whose profitability has been squeezed by the combination of rising costs and a stagnant gold price.

The weaker rand during the fourth quarter helped gronp profits, with GFSA's four gold producers lifting after-tax profits to R270.2m from R226.8m during the September quarter.

A 2.3 per cent fall in production to 30,661kg from 31,375kg, was more than offset hy a 3.6 per cent increase in the average gold price received.

This rose to R31,988 per kg from R30,865 per kg. The lower prodnction was largely attrihutable to disrnption caused by underground fires at the Kloof, Driefontein and Deelkraal mines.

Altbongb working costs were virtually flat at R679.9m, compared with R676.4m, working costs per kg gold produced rose by 3 per cent to R22,t75 from R21,558, on eccount of tbe lower production. The average yield was 9 grams per tonne of ore milled against 9.1 grams.

After-tax profits at Driefontein, the group's largest producer, rose to R137.4m from Rt15.7m.

Profits also rose at Kloof, the other large mine, to R125.2m from R115.3m.

Toray bucks trend and expands overseas

The Japanese textiles group sees room for more global growth, writes Emiko Terazono

THE economic downturn has prompted a wave of Japanese companiee to withdraw from their overseas investments. Toray Industries, the large textile maker, however, is hucking this trend and still expanding overseas.

"The real survival game has just started," says Mr Hiroshi Maeda, managing director. For Toray, overseas production of textiles is essential to hold down prices to competitive levels. It is also investing in other sectors for sales in overseas markets.

Tbe company, whicb supplies Marks and Spencer, the UK retailer, plans to start production at its new Y15hn ($121m) textile plant in Mansfield this year. In the US, Toray recently added a $100m manufacturing line in its plastic film plant in Rhode Island, and last year started construction of a plant in Seattle to supply Boeing with carbon fibre resins.

The rush back to domestic markets by other Japanese companies is similar to what happened in the recession of tbe mid-1970s. Although many Japanese textile companies ventured overseas in the early 1970s, the recession triggered by oil price rises prompted a quick change in plans. "After the oil shock, we were the only ones left in sonth-east Asia," says Mr Maeda.

Diversification into non-textile products in the mid-1980s prompted Toray to invest in Europe and North America as its customers, trying to minimise inventoriea, demsnded swift supplies. Meanwhile, in tbe textile sector, Toray bought the polyester-filament weaving operations of Courtaulds, the UK cbemicals group, in 1989.

Toray expects overseas capital investment for the first six months to September 1993 to rise 27 per cent to Y23bn and it hopes to maintain this growth rate during 1994 and 1995.

Unlike electronics companies and carmakers, which rushed to increase production capacity in the late 1980s, analysts point out that Toray's investment decisions had little to do with the "hubhle boom" of the late 1980s. Its plans to increase overseas capacity were triggered hy successful sales of newly-developed synthetic fibres.

Ms Madoka Umetsu, analyst at brokerage UBS Phillips and Drew in Tokyo, said: "Toray's domestic textile husiness was restructured in the 1980s after the company was hit by the *endaka* – high yen – recession."

The company's helief that fibres and textiles still comprise a growing sector bas given it the confidence to develop its innovations. In the late 1980s, annual textile consumption, including industrial use, per capita totalled 27kg in the US, 19kg in the UK, 15.2kg in France, 9.3kg in Spain and 5.4kg in China. The company believes the global textiles market still has more room to grow.

The rising yen, high labour costs and growing competition from south-east Asia, also provided the incentive for Toray to develop high vatue innovative fibres and textiles, which have supported its profits.

In addition, the need for strong fibres which can withstand advanced high speed weaving machines has lead to the development of micro-fibres.

Synthetic silks and other woven fabrics offer new creative possihilities for leading Japanese and western fashion designers. Toray also supplies European sports goods makers like Killy and Ellesse with its high-technology fibres which are used to make moisture permeable waterproof fabrics.

However, Toray is not unscarred hy the effects of Japan's "bubble economy". Industrial textile sales have started to fall due to lower demand from the Japanese eutomohile and electronics industries, while cheaper clothing imports are entering the domestic market.

Losses at Toray Construction, a construction affiliate, are also depressing the group'a profits. Although Toray is faring better than other leading Japanese textile manufacturers, it expects consolidated pretax profits to fall 7 per cent to Y60bn on a 2 per cent rise in sales to Y1,000hn, in the year to March.

The company remains cautious over investments in Vietnam and eastern Europe, however. It is still trying to assess the feasibility of setting up plants in such areas. Mr Maeda said: "Places like east Europe seem too unstahle to make large commitments."

Toray needs to see eteady returns on overseas investments before planning further spending programmes which justify the fall in profits due to increased borrowing costs. But, with the south-east Asian economies in good shape and the US emerging from recession, tbe medium-term ontlook is favourable.

Toray is also hopeful of potential profits in high value applications of high-technology textiles, in markets yet to be exploited.

Mitsubishi to drop mainframe production

By Robert Thomson In Tokyo

MITSUBISHI Electric, the Japanese electronics company, confirmed yesterday that it was planning to withdraw from mainframe computer production and concentrate on smaller machines amid a continuing downturn in the domestic computer industry.

A further sign of the severe conditions facing Japanese electronics companies came with an announcement hy Moody's investors Service, the US rating agency, that it has placed the long and short-term ratings of NEC under review for possible downgrading.

Meanwhile, the Japan Society of Industrial Machinery Manufacturers said yesterday industrial machinery orders fell 39.4 per cent in November, compared to a year earlier, while consumer electronics sales over the first 10 months of last year were down 17 per cent.

Each of the announcemeots confirms the industry's fear that an expected recovery will not come until late this year. Moody's said the review of NEC follows "concern that profitability, liquidity, and free cash flow may he impaired over a longer period than previously expected due to severe competition in its core businesses".

Over the next few weeks, Japanese electronics manufacturers and otber leading industrial companies will review their profit forecasts for the full-year to the end of March, as many had counted on an early upturn in domestic demand. In the first half, Mitsubishi reported a 73 per cent fall in profits, NEC 71 per cent, and Matsushita Electric Industrial 5t per cent.

However, demand is continuing to weaken. Production value of the mainframe computers was down 21 per cent over the first 10 months of last year, prompting Mitsubishi Electric to stop the development of new products, leaving Fujitsu, NEC, and Hitachi as the remaining Japanese maksrs.

"It would cost us more than Y100bn to maintain our mainframe development. We didn't feet that we had gained sufficient market share to risk contiuning in that market," Mitsubishi said yesterday.

The company is concentrating on computer systems which are between a workstation and personal computer in size, attempting to keep a distance from the heavy discounting in the Japanese personal computer market. But Mitsubishi said that "our sector is difficult too".

Mitsubtshi's decision to streamlina its product mix is typical of other consumer and compnter electronics makers, which can no longer afford to compete in a ranga of loss-making sectors.

Video camera sales were down 30 per cent over the first t0 months last year, financial terminals 18 per cent lower, integrated circuit testers 38 per cent down, and telecommnnications equipment 7.5 per cent off.

ALL NIPPON Airways, Japan's second-largest airline, is to cut capital spending in the five years to 1997 to Y1,100bn ($8.87bn) from its original plan of Y1,300hn, Renter reports from Tokyo. Cuts tnclnde spending on facilities at airports and the purchase of aircraft.

Japan Air Lines (JAL), the country's largest carrier, is also considering a cut in its five-year capital investment plan, which it plans to announce by end-January.

ANA also said yesterday that parent and group profits for the year to March 1993 would he lower than its earlier forecasts. These included a parent taxahle profit at Y17.50bn on sales of Y8t8bn.

In fiscal t992, parent pre-tax profit was Y22.44bn on sales of Y799.15bn

KLSE presses Magnum and Dunlop Estates

By Kieran Cooke in Kuala Lumpur

THE Kuala Lumpur Stock Exchauge (KLSE) has once again crossed swords with Magnum and Dunlop Estates, two listed Malaysian companies which are chasing potentially highly-lucrative gaming projects in China.

The KLSE has directed each company to submit fortnightly progress reports on the status of their proposed China ventures. Last Septemher, Magnum and Dunlop, both part of tbe Multi-Purpose Holdings group, had announced that tbe authorities in China's Guangdong province had approved "in principle" the operation of a lottery by the two companies.

Subsequently, tbe KLSE insisted on more information. Magnum and Dunlop then said that though Guangdong had approved their project, otber "relevant authorities" had still to give their eodorsement.

FT GUIDE TO WORLD CURRENCIES

The table below gives the latest available rates of exchange (rounded) against four key currencies on Monday, January 11, 1993. In some cases the rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

COUNTRY		£ STG	US $	D-MARK	YEN (X 100)
Afghanistan	(Afghani)	99.25	63.8879	39.1905	51.0939
Albania	(Lek)	170.12	109.508	67.1747	87.5778
Algeria	(Dinar)	34.92	22.4782	13.7887	17.9768
Andorra	(Fr Fr)	8.6100	5.5423	3.3998	4.4324
	(Sp Peseta)	179.80	115.739	70.997	92.5611
Angola	(Kwanza)	844.73	543.759	333.556	434.867
Antigua	(E Carr $)	4.1756	2.6878	1.6488	2.1496
Argentina	(Peso)	1.5538	1.0002	0.6135	0.7998
Aruba	(Florin)	2.7682	1.7819	1.093	1.4251
Australia	(Aus $)	2.3125	1.4885	0.9131	1.1904
Austria	(Schilling)	17.815	11.4676	7.0345	9.1711
Azores	(Port Escudo)	227.00	146.122	89.6347	116.86
Bahamas	(Baham $)	1.5535	1	0.6134	0.7997
Bahrain	(Dinar)	0.5864	0.3774	0.2315	0.3018
Balearic Is	(Sp Peseta)	179.80	115.739	70.997	92.5611
Bangladesh	(Taka)	59.8699	38.5381	23.6399	30.8189
Barbados	(Barb $)	3.1105	2.0022	1.2282	1.6012
Belgium	(Belg Fr)	52.10	33.5371	20.5725	26.8211
Belize	($)	3.0930	1.9909	1.2213	1.5922
Benin	(CFA Fr)	430.50	277.116	169.99	221.622
Bermuda	(Bermudian $)	1.5535	1	0.6134	0.7997
Bhutan	(Ngultrum)	44.69	28.7672	17.6465	23.0064
Bolivia	(Boliviano)	6.3329	4.0765	2.5006	3.2601
Botswana	(Pula)	3.5129	2.2612	1.3871	1.8084
Brazil	(Cruzeiro)	20650.5	13292.9	8154.01	10630.3
Brunei	(Brunei $)	2.5798	1.6606	1.0186	1.328
Bulgaria	(Lev)	36.636	23.5828	14.4663	18.8602
Burkina Faso	(CFA Fr)	430.50	277.116	169.99	221.622
Burma	(Kyat)	9.8485	6.3395	3.8888	5.07
Burundi	(Burundi Fr)	358.52	230.782	141.568	184.566
Cambodia	(Riel)	3093.00	1990.99	1221.32	1592.29
Cameroon	(CFA Fr)	430.50	277.116	169.99	221.622
Canada	(Canadian $)	1.9835	1.2767	0.7832	1.0211
Canary Is	(Sp Peseta)	179.80	115.739	70.997	92.5611
Cp. Verde	(CV Escudo)	116.98	75.3009	46.1915	60.2213
Cayman Is	(CI $)	1.3145	0.8461	0.519	0.6767
Cent. Afr. Rep	(CFA Fr)	430.50	277.116	169.99	221.622
Chad	(CFA Fr)	430.50	277.116	169.99	221.622
Chile	(Chilean Peso)	593.30	381.912	234.274	305.431
China	(Renminbi Yuan)	8.8186	5.6766	3.4822	4.5398
Colombia	(Col Peso)	1258.36	810.016	496.885	647.806
CIS	(Rouble)	0.8771o	0.5645	0.3463	0.4515
Comoros	(Fr)	430.50	277.116	169.99	221.622
Congo (Brazz)	(CFA Fr)	430.50	277.116	169.99	221.622
Costa Rica	(Colon)	218.54	140.676	86.2938	112.505
Côte d'Ivoire	(CFA Fr)	430.50	277.116	169.99	221.622
Croatia	(Dinar)	1290.20	830.512	509.457	664.196
Cuba	(Cuban Peso)	1.1713	0.7539	0.4625	0.6029
Cyprus	(Cyprus £)	0.7563	0.4868	0.2986	0.3893
Czech Rep.	(Koruna)	45.01c	28.9752	17.7729	23.1711
		43.44t	27.9626	17.153	22.3629
Denmark	(Danish Kroner)	9.7950	6.3051	3.8677	5.0424
Djibouti Rep	(Djib Fr)	268.00	172.514	105.824	137.967
Dominica	(E Carrib $)	4.1756	2.6878	1.6488	2.1496
Dominican Rep	(D Peso)	20.1045	12.9414	7.9385	10.3498
Ecuador	(Sucre)	2861.03o	1841.67	1129.73	1472.86
		2870.30x	1847.63	1133.39	1477.63
Egypt	(Egyptian £)	5.0722	3.265	2.0028	2.6111
El Salvador	(Colon)	13.2690	8.5413	5.2394	6.8308
Equat'l Guinea	(CFA Fr)	430.50	277.116	169.99	221.622
Estonia	(Kroon)	18.3238	11.7951	7.2354	9.4331
Ethiopia	(Ethiopian Birr)	7.6701	4.9373	3.0286	3.9485
Falkland Is	(Falk £)	1.00	0.6437	0.3948	0.5148
Faroe Is	(Danish Kroner)	9.7950	6.3051	3.8677	5.0424
Fiji Is	(Fiji $)	2.4630	1.5854	0.9725	1.2679
Finland	(Markka)	8.4020	5.4084	3.3176	4.3253
France	(Fr)	8.6100	5.5423	3.3998	4.4324
Fr. Cty/Africa	(CFA Fr)	430.50	277.116	169.99	221.622
Fr. Guiana	(Local Fr)	8.6100	5.5423	3.3998	4.4324
Fr. Pacific Is	(CFP Fr)	152.00	97.8435	60.0197	78.2496
Gabon	(CFA Fr)	430.50	277.116	169.99	221.622

COUNTRY		£ STG	US $	D-MARK	YEN (X 100)
Gambia	(Dalasi)	13.5180	8.7016	5.3378	6.959
Germany	(D-Mark)	2.5325	1.6301	1	1.3037
Ghana	(Cedi)	804.18	517.657	317.544	413.992
Gibraltar	(£)	1.00	0.6437	0.3948	0.5148
Greece	(Drachma)	337.70	217.38	133.346	173.848
Greenland	(Danish Krone)	9.7950	6.3051	3.8677	5.0424
Grenada	(E Carr $)	4.1756	2.6878	1.6488	2.1496
Guadeloupe	(Local Fr)	8.6100	5.5423	3.3998	4.4324
Guam	(US $)	1.5535	1	0.6134	0.7997
Guatemala	(Quetzal)	[illegible]	5.3558	3.2854	[illegible]
Guinea	(Fr)	1256.21	808.632	496.036	646.698
Guinea-Bissau	(Peso)	7732.50	4977.47	3053.31	3980.64
Guyana	(Guyanese $)	194.8590	125.432	76.9433	100.314
Haiti	(Gourde)	17.7848	11.4482	7.0226	9.1556
Honduras	(Lempira)	9.1099	5.8641	3.5972	4.6898
Hong Kong	(HK $)	12.0418	7.7514	4.7549	6.1991
Hungary	(Forint)	130.3654	83.93	51.4848	67.1231
Iceland	(Icelandic Krona)	99.9599	64.3423	39.4692	51.4573
India	(Indian Rupee)	44.69	28.7672	17.6465	23.0064
Indonesia	(Rupiah)	3190.83	2053.96	1259.95	1642.64
Iran	(Rial)	2313.0r	1488.9	913.327	1190.73
		100.35	64.596	39.6252	51.6605
Iraq	(Iraqi Dinar)	0.5935	0.382	0.2343	0.3055
Irish Rep	(Punt)	0.9500	0.6116	0.3752	0.4891
Israel	(Shekel)	4.3480	2.7988	1.7168	2.2383
Italy	(Lira)	2298.50	1479.56	907.601	1183.27
Jamaica	(Jamaican $)	34.1003	21.9506	13.465	17.5548
Japan	(Yen)	194.25	125.04	76.7028	100
Jordan	(Jordanian Dinar)	1.0733	0.6908	0.4238	0.5525
Kenya	(Kenya Shilling)	56.5796	36.3949	22.3256	29.1066
Kiribati	(Australian $)	2.3125	1.4885	0.9131	1.1904
Korea North	(Won)	3.3250	2.1403	1.3129	1.7117
Korea South	(Won)	1222.83	787.145	482.855	629.514
Kuwait	(Kuwaiti Dinar)	0.4740	0.3054	0.1873	0.2442
Laos	(New Kip)	1105.75	711.78	436.624	569.241
Lebanon	(Lebanese £)	2826.1	1819.18	1115.93	1454.85
Lesotho	(Maloti)	4.7900	3.0833	1.8914	2.4658
Liberia	(Liberian $)	1.5535	1	0.6134	0.7997
Libya	(Libyan Dinar)	0.4517	0.2907	0.1783	0.2325
Liechtenstein	(Swiss Fr)	2.3150	1.4901	0.9141	1.1917
Luxembourg	(Lux Fr)	52.10	33.5371	20.5725	26.8211
Macao	(Pataca)	12.3689	7.9619	4.884	6.3675
Madagascar	(MG Fr)	2861.62	1842.05	1129.96	1473.17
Madeira	(Port Escudo)	227.00	146.122	89.6347	116.86
Malawi	(Kwacha)	[illegible]	[illegible]	[illegible]	[illegible]
Malaysia	(Ringgit)	4.03175	2.5952	1.5919	2.0755
Maldive Is	(Rufiya)	18.5193	11.921	7.3126	9.5337
Mali Rep	(CFA Fr)	430.50	277.116	169.99	221.622
Malta	(Maltese £)	0.5820	0.3746	0.2298	0.2996
Martinique	(Local Fr)	8.6100	5.5423	3.3998	4.4324
Mauritania	(Ouguiya)	163.9290	105.522	64.7301	84.3907
Mauritius	(Maur Rupee)	27.2803	17.5605	10.772	14.0439
Mexico	(Mexican Peso)♦	4.8368	3.1134	1.9098	2.4899
Miquelon	(Local Fr)	8.6100	5.5423	3.3998	4.4324
Monaco	(French Fr)	8.6100	5.5423	3.3998	4.4324
Mongolia	(Tugrik)	61.8600	39.8197	24.4264	31.8455
Montserrat	(E Carr $)	4.1756	2.6878	1.6488	2.1496
Morocco	(Dirham)	14.0462	9.0416	5.5463	7.2309
Mozambique	(Metical)	4248.67	2734.9	1677.66	2187.22
Namibia	(S A Rand)	4.7900	3.0833	1.8914	2.4658
Nauru Is	(Australian $)	2.3125	1.4885	0.9131	1.1904
Nepal	(Nepalese Rupee)	72.1133	46.4198	28.4751	37.1239
Netherlands	(Guilder)	2.8450	1.8313	1.1233	1.4646
N'nd Antilles	(A/Guilder)	2.7682	1.7819	1.093	1.425
New Zealand	(NZ $)	3.0375	1.9552	1.1994	1.5637
Nicaragua	(Gold Cordoba)	7.7325	4.9774	3.0533	3.9806
Niger Rep	(CFA Fr)	430.50	277.116	169.99	221.622
Nigeria	(Naira)	33.5591	21.6022	13.2513	17.2762
Norway	(Nor. Krone)	10.8350	6.9745	4.2783	5.5778
Oman	(Rial Omani)	0.5989	0.3855	0.2364	0.3083

COUNTRY		£ STG	US $	D-MARK	YEN (X 100)
Pakistan	(Pak. Rupee)	39.98	25.7354	15.7867	20.5817
Panama	(Balboa)	1.5535	1	0.6134	0.7997
Papua New Guinea	(Kina)	1.5475	0.9961	0.611	0.7966
Paraguay	(Guarani)	2489.96	1602.81	983.202	1281.83
Peru	(New Sol)	2.5300	1.6285	0.999	1.3024
Philippines	(Peso)	38.35	24.6861	15.1431	19.7425
Pitcairn Is	(£ Sterling)	1.00	0.6437	0.3948	0.5148
	(NZ $)	3.0375	1.9552	1.1994	1.5637
Poland	(Zloty)	24363.0	15682.7	9620.14	12542.1
Portugal	(Escudo)	227.00	146.122	89.6347	116.86
Puerto Rico	(US $)	1.5535	1	0.6134	0.7997
Qatar	(Riyal)	5.6620	3.6446	2.2357	2.9148
Reunion Is. de la	(F Fr)	8.6100	5.5423	3.3998	4.4324
Romania	(Leu)	729.55	469.617	288.07	375.57
Rwanda	(Fr)	221.85	142.807	87.6011	114.208
St Christopher	(E Carr $)	4.1756	2.6878	1.6488	2.1496
St Helena	(£)	1.00	0.6437	0.3948	0.5148
St Lucia	(E Carr $)	4.1756	2.6878	1.6488	2.1496
St Pierre	(French Fr)	8.6100	5.5423	3.3998	4.4324
St Vincent	(E Carr $)	4.1756	2.6878	1.6488	2.1496
San Marino	(Italian Lira)	2298.50	1479.56	907.601	1183.27
Sao Tome	(Dobra)	371.160	238.919	146.559	191.073
Saudi Arabia	(Riyal)	5.8323	3.7542	2.3029	3.0024
Senegal	(CFA Fr)	430.50	277.116	169.99	221.622
Seychelles	(Rupee)	[illegible]	[illegible]	[illegible]	[illegible]
Sierra Leone	(Leone)	796.43	512.661	314.482	410.013
Singapore	($)	2.5798	1.6606	1.0186	1.328
Slovakia	(Koruna)	45.01	28.9732	17.7729	23.1711
Slovenia	(Tolar)	153.7434	98.966	60.7081	79.1472
Solomon Is	(SI $)	4.8629	3.13	1.9202	2.5034
Somali Rep	(Shilling)	4051.83	2608.19	1599.95	2085.88
South Africa	(Rand)	4.7900c	3.0833	1.8914	2.4658
		7.2418f	4.6617	2.8596	3.7281
Spain	(Peseta)	179.80	115.739	70.997	92.5611
Spanish Ports in N Africa	(Sp Peseta)	179.80	115.739	70.997	92.5611
Sri Lanka	(Rupee)	71.3000	45.8963	28.1545	36.7059
Sudan Rep	(Dinar)	15.4650	9.9549	6.1066	7.9615
Surinam	(Guilder)	2.7605	1.7769	1.09	1.4211
Swaziland	(Lilangeni)	4.7900	3.0833	1.8914	2.4658
Sweden	(Krona)	11.4175	7.3495	4.5083	5.8777
Switzerland	(Fr)	2.3150	1.4901	0.9141	1.1917
Syria	(£)	32.4765	20.9053	12.8238	16.7189
Taiwan	($)	39.925	25.6996	15.765	20.5535
Tanzania	(Shilling)	507.252	326.522	200.297	261.135
Thailand	(Baht)	39.675	25.5391	15.6663	20.4247
Togo Rep	(CFA Fr)	430.50	277.116	169.99	221.622
Tonga Is	(Pa Anga)	2.3125	1.4885	0.9131	1.1904
Trinidad/Tobago	($)	6.5726	4.25	2.5953	3.3835
Tunisia	(Dinar)	1.4996	0.9653	0.5921	0.7719
Turkey	(Lira)	13663.03	8795	5395.08	7033.73
Turks & Caicos	(US $)	1.5535	1	0.6134	0.7997
Tuvalu	(Australian $)	2.3125	1.4885	0.9131	1.1904
Uganda	(New Shilling)	1929.32	1241.92	761.824	993.215
U A E	(Dirham)	5.7118	3.6767	2.2553	2.9404
United Kingdom	(£)	1.00	0.6437	0.3948	0.5148
United States	(US $)	1.5535	1	0.6134	0.7997
Uruguay	(Peso)	5394.19	3472.28	2129.99	2776.93
Vanuatu	(Vatu)	186.66	120.154	73.7058	96.0926
Vatican	(Lira)	2298.50	1479.56	907.601	1183.27
Venezuela	(Bolivar)	123.9829	79.8087	48.9567	63.8264
Vietnam	(Dong)	16563.02	10661.7	6540.19	8526.65
Virgin Is-British	(US $)	1.5535	1	0.6134	0.7997
Virgin Is-US	(US $)	1.5535	1	0.6134	0.7997
Western Samoa	(Tala)	3.9074	2.5152	1.5429	2.0115
Yemen (Rep of)	(Rial)	25.5173	16.4256	10.0759	13.1363
Yemen (Rep of)	(Dinar)	0.7191	0.4628	0.2839	0.3701
Yugoslavia	(New Dinar)	1159.87	746.617	457.994	597.102
Zaire Rep	(Zaire)	3473800.0	2236112	1371688	1788314
Zambia	(Kwacha)	518.0775	333.491	204.572	266.707
Zimbabwe	($)	8.7996	5.6643	3.4746	4.53

Special Drawing Rights January 8, 1993 United Kingdom £0.897040 United States $1.36664 Germany D Mark 2.25359 Japan Yen171.349
European Currency Unit Rates January 11, 1993 United Kingdom £0.775477 United States $1.20199 Germany D Mark 1.96309 Japan Yen150.633

Abbreviations: (a) Free rate; (b) Banknote rate; (c) Commercial rate; (d) Controlled rate; (e) Essential imports; (g) Financial rate; (h) Exports; (i) Non commercial rate; (j) Business rate; (k) Buying rate; (l) Luxury goods; (m) Market rate; (n) Public transaction rate; (o) Official rate; (p) preferential rate; (q) convertible rata; (r) parallel rate; (s) Selling rate. (t) Tourist rate (u) Currencies fixed against the US Dollar (r) Floating rate; ‡ CIS applies to states in the Rouble Zone. ♦Mexico 1.1.93: Peso revalued. One "Nuevo" Peso equivalent to 1000 "old" pesos.
Some data supplied by Bank of America, Economics Department, London Trading Centre. Enquiries: 071 634 4360/5.
Monday January 11, 1993

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INTERNATIONAL CAPITAL MARKETS

Gilts ease at long end on funding worries

By Sara Webb and Tracy Corrigan in London and Patrick Harverson in New York

UK GOVERNMENT bonds lost three-quarters of a point at the long end as funding worries dominated the gilt market yesterday.

Dealers expect the Bank of England to announce details of a gilt auction shortly, with the 8½ per cent gilt due 2007 emerging as the expected suction stock. The 15-year gilt is already fairly liquid, with about £3bn of existing stock.

GOVERNMENT BONDS

However, there is already an overhang of gilts as the Bank of England announced a £1bn tranche of 7¼ per cent stock due 1998 at the end of last month, and dealers estimate between half and a quarter of that has been sold.

The market took little cheer from weekend press reports which suggested the government was unlikely to raise taxes in order to cut the Public Sector Borrowing Requirement. "The gilt market would like to see a hike in taxes to reduce the PSBR", said Mr John Kendall, economist at Baring Sterling Bonds. Economists forecast the Bank of England will have to issue about £50bn of gilts in 1993-94.

The Liffe gilt future, which closed on Friday at 100.20, fell to a low of 99.24 before ending the day at around 99.28. In the cash market, the 11¾ per cent gilt due 2003/07 dropped from 119⅞ to 119 to yield 8.85 per cent.

■ THE Swedish bond market suffered from a crisis of confidence yesterday. Mr Bengt Dennis, the central bank governor was quoted at the weekend as saying there would be no interest rate cuts in the foreseeable future. Yesterday's budget announcement, the details of which had already been leaked, did little to reassure traders. The 1992-93 budget estimate of close to SKr200bn is widely believed to be over-optimistic.

Finally, at yesterday's auction of SKr3bn of 2001 bonds and 1999 bonds, there were insufficient bids to cover the amount of 2001 bonds on offer.

Ten-year bond yields rose 14 basis points to 10.27 per cent, as the yield curve steepened further. With a new 15-year bond due to be auctioned on January 26, the market is becoming increasingly nervous, according to Jouni Kokko, an international economist at S. G. Warburg.

■ GERMAN government bonds slid a ¼-point on fears that the recent rally had been exaggerated. The bond market has already discounted substantial German rate cuts and traders are becoming rather nervous that, if these interest rate reductions do not start to materialise, there will be little to underpin the market at current levels. However, the poor state of the German economy continues to fuel hopes that the discount rate will be cut soon, following last week's trimming of the German repo rate.

■ THE French bond market suffered from a bout of profit taking, losing a ¼-point following gains last week.

Uncertainty over the currency and the general election in March have undermined confidence in the market following last week's rally, traders said.

■ US Treasury prices posted modest gains across the maturity range yesterday morning as investors kept a nervous eye on developments in the Middle East.

By midday, the benchmark 30-year government bond was up ⅛ at 101⅞, yielding 7.458 per cent. At the short end of the market, the two-year note was also slightly firmer, up 1/32 at 100⅛, to yield 4.44 per cent.

Trading was described as cautious by dealers, with investors apparently encouraged by the market's rebound from last week's heavy losses, but concerned about the crisis in the Middle East, where Iraq continued to challenge the US and its allies.

FT FIXED INTEREST INDICES

	Jan 11	Jan 8	Jan 7	Jan 6	Jan 5	Year ago	High *	Low *
Govt Secs (UK)	93.38	93.83	93.96	94.16	93.99	87.07	95.54	85.11
Fixed Interest	108.98	109.36	109.59	109.57	109.53	99.44	110.28	97.15

Basis 100: Government Securities 15/10/26; Fixed Interest 1928.
* for 1992/93. Government Securities high since compilation:127.40 (9/1/35), low 49.18 (3/1/75)
Fixed interest high since compilation: 110.28 (12/11/92), low 50.53 (3/1/75)

GILT EDGED ACTIVITY

Indices*	Jan 8	Jan 7	Jan 6	Jan 5	Jan 4
Gilt Edged Bargains	85.2	100.8	107.6	104.7	66.2
5-Day average	99.2	99.4	92.0	70.7	49.6

* SE activity indices rebased 1974

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
AUSTRALIA		10.000	10/02	108.5834	-	8.97	8.98	8.79
BELGIUM		8.750	06/02	108.1400	+0.080	7.51	7.64	7.96
CANADA *		8.500	04/02	102.3500	+0.100	[illegible]	7.92	7.99
DENMARK		8.000	11/00	100.2700	-0.550	8.94	9.02	8.85
FRANCE	BTAN	8.500	03/97	101.8584	-0.212	7.91	8.02	8.15
	OAT	8.500	11/02	103.0950	-0.300	8.03	8.09	8.20
GERMANY		8.000	07/02	105.8000	-0.110	7.14	7.23	7.39
ITALY		12.000	05/02	93.9700	+0.205	13.561	13.74	13.62
JAPAN	No 119	4.800	06/99	102.1107	-	4.38	4.46	4.49
	No 145	5.500	03/02	108.8409	-	4.48	4.53	4.60
NETHERLANDS		8.250	06/02	107.3200	-0.170	7.15	7.22	7.43
SPAIN		10.300	06/02	88.2150	+0.015	12.46	12.63	12.50
UK GILTS		10.000	11/96	109-00	-3/32	7.27	7.24	7.31
		9.750	08/02	108-17	-17/32	8.43	8.28	8.37
		9.000	10/08	107-21	-23/32	8.80	8.55	8.65
US TREASURY *		6.375	08/02	97-18	+12/32	6.73	6.64	6.78
		7.625	11/22	101-29	+4/32	7.46	7.36	7.44
ECU (French Govt)		8.500	03/02	100.5200	+0.145	8.42	8.59	8.63

London closing. *denotes New York morning session. Yields: Local market standard.
† Gross annual yield (including withholding tax at 12.5 per cent payable by non-residents.)
Prices: US, UK in 32nds, others in decimal. *Technical Data/ATLAS Price Sources*

LCH seeks £120m guarantee from holders

By Richard Waters

A LACK of insurance cover and an unwillingness by enough banks to back it, has forced the London Clearing House, which clears all transactions on London's futures and options exchanges, to turn to shareholders for a £120m ($180m) guarantee facility.

The clearing house has been unable to renew its £170m insurance policy from Trade Indemnity, which runs out at the end of January.

The policy is available to settle transactions if both margin payments put up by members of the exchanges and a £30m guarantee from LCH's shareholders, prove inadequate.

Mr David Hardy, LCH managing director, said the clearing house was not alone in seeing cover withdrawn, but it reflected an unwillingness by reinsurers to take on financial guarantee business.

The clearing house also tried to arrange a syndicated bank guarantee facility through Commerzbank, paying banks a fee of 65 basis points a year for providing the backing.

Too few banks came forward, however, and LCH has now turned to its six shareholder banks: Barclays, Lloyds, National Westminster, Midland, Royal Bank of Scotland and Standard Chartered. The fee to be paid on the facility has not been disclosed, but is believed to be more than 65 basis points.

Mr Hardy said yesterday that the reduction in cover would not lead to any reduction in the level of security on the exchanges and the £170m insurance cover had only been raised to that level from £120m a year ago after underwriters had indicated a willingness to provide the extra cover at little extra cost.

● Banco Espanol de Credito has set a $1bn Euro-commercial paper programme which is backed by corporate loans to prime Spanish names, Reuter reports.

JP Morgan, the arranger, said that the securitised deal is the first of its kind in Europe.

Italy may consider $15bn borrowing programme this year

By Haig Simonian in Frankfurt

ITALY yesterday returned to the Eurobond market, after a two-year absence, with a DM4bn ($2.5bn) issue in what could be the start of a $15bn international borrowing programme this year.

Pricing for the five-year bond, which marks the second biggest D-Mark Eurobond issued and Italy's borrowing debut in the German currency, will be revealed this afternoon.

Bankers expect the transaction to offer a yield spread of between 45 and 50 basis points (0.45 to 0.5 percentage points) over the yield of five-year German government bonds.

Pricing is likely to be a sensitive issue. Italy has seen its credit rating tumble following last year's political and currency turmoil, plus international banking dissatisfaction with the government's attitude to the debts of the Efim state holding company, now in voluntary liquidation.

Having benefited from the triple-A rating until the early 1990s, which allowed it to borrow at the cheapest rates, Italy last year suffered a two-notch cut in its rating by Moody's Investors Service, the US credit rating agency.

Political approval for major budget cuts, principally a L93bn ($62m) budget reduction package this year, has been among the prime factors in influencing Italy's return to the Euromarkets.

Mr Mario Draghi, the director general of the Italian treasury, said the government would like to borrow between $10bn and $15bn this year, subject to investor demand and market conditions. That would be two and a half times the level of borrowing at the peak of Italy's Euromarket activity in 1990.

Future issues would be in a range of currencies and at either fixed or floating interest rates. Italy also retained its commitment to the Ecu market, he said. Italy's last Euromarket issue was a Ecu2.5bn issue in February 1991.

The D-Mark bond is likely to involve around 30 banks, comprising German, Italian and leading international financial institutions.

Mr Ronaldo Schmitz, the Deutsche Bank board member responsible for corporate finance, indicated the response had been good so far and a "good share" of the paper had been placed already.

Borrowing in D-Marks should help Italy reduce its large debt-servicing costs in the long-term. Five-year German interest rates are currently more than 5 percentage points below equivalent rates in lira, while demand for D-Mark paper has opened a substantial window of opportunity for many borrowers to issue at attractive spreads.

Last November, the UK took advantage of the market by launching a DM5.5bn issue, also led by Deutsche Bank, at just 10 basis points over equivalent German paper.

The new issue will strengthen the reserves of the Bank of Italy, which were sorely depleted in defending the lira prior to its 7 per cent devaluation and subsequent departure from the exchange rate mechanism in September. The issue should also help to create a Euromarket benchmark in D-Marks for other Italian borrowers.

See Lex.

Dai-Ichi shuts Bombay office

By R.C.Murthy in Bombay

DAI-ICHI Kangyo Bank, the big Japanese bank, is closing its representative office in Bombay after seven years of operation.

The closure of the office, which has a staff of three, is part of a restructuring of Dai-Ichi worldwide.

The move partly reflects the fall in the volume of Indian government commercial loan issues following the downgrading of India's credit rating 18 months ago by Standard and Poor's, the US rating agency.

Warm response for Ontario's $3bn global issue

By Brian Bollen

THE Province of Ontario's third global bond received an enthusiastic welcome in the international bond markets yesterday. The 10-year issue, which will be priced today to yield between 76 and 79 basis points over comparable US Treasuries, was increased to $3bn after being launched at $2.5bn. That makes it one of the largest fixed-rate dollar issues to date, equalling the UK's last December.

INTERNATIONAL BONDS

Bankers said the indicated pricing looked very fair. Salomon Brothers, leading the issue with Goldman Sachs, agreed the spread was high, but said it is not out of line with secondary market prices. The increase reflects the relative shortage of dollar supply in the Euromarkets and the reweighting by fund managers towards dollar assets, it said.

This completes the province's budgeted 1992-93 borrowing programme and prefunds part of its 1993-94 requirement. Ontario plans to borrow C$9.2bn (US$7.6bn) in the next fiscal year, to cover a projected deficit of C$8.1bn and C$1.1bn of refinancings. Of the total, it will raise around 60 per cent internationally.

Deutsche Bank in London's $100m, 10-year collared floating rate note issue for the Province of British Columbia offers a minimum coupon of 5½ per cent, an indication that such rates are edging up. Deutsche Bank said the issue is structured as senior debt rather than subordinated debt, and was based on orders from investors switching out of existing collared floaters with lower minimum coupons. Much of the demand came from Germany, said Deutsche Bank, which kept 70 per cent of the issue on its own books.

● Portugal is set to become the latest European sovereign to borrow in the international bond market, writes Richard Waters.

Portugal is under little pressure to raise the $3bn ceiling it has set for foreign borrowing this year, said Mr Manuel Pinho, director of the Treasury, in London this week to brief investors on the country's borrowing plans. It has a budgeted government deficit of around 4 per cent in the next fiscal year, and foreign exchange reserves standing at $20bn, up from $7.5bn three years earlier. However, it sees foreign borrowing as a way of reducing overall borrowing costs and opening up the market for other Portuguese public sector borrowers in future.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
US DOLLARS						
Export-Import Bank of Japan	400	6.75	99.82	Feb.2000	30/20bp	Goldman Sachs Int.
Shiseido Co.(a)♦	200	2.5	100	Feb.1997	2¼/1½%	Daiwa Europe
Prov.of British Columbia(b)‡	100	(b)	100	Feb.2003	50/30bp	Deutsche Bank London
CFD(c)‡	100	(c)	99.75	Feb.2003	50/25bp	Kidder, Peabody Int.
SWISS FRANCS						
Shiseido Co.(a)♦★	100	2	100	Feb.1997	-	Credit Suisse

Final terms and non-callable unless stated. ★Private placement. ♦With equity warrants. ‡Floating rate note. a) Final terms fixed on 18/1/93. b) Coupon pays 25bp below 6-month Libor. Minimum coupon 5½%, maximum 8%. c) Borrowers full name: Caisse Francaise de Developpment. Coupon pays 25bp below 6-month Libor. Maximum coupon 5⅛%, minimum 8⅛%.

MARKET STATISTICS

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:05 pm on January 11

U.S. DOLLAR STRAIGHTS — OTHER STRAIGHTS — DEUTSCHE MARK STRAIGHTS — FLOATING RATE NOTES — SWISS FRANC STRAIGHTS — CONVERTIBLE BONDS — YEN STRAIGHTS

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield	OTHER STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
ABN 9 1/8 94	200	106	106½	+⅛	4.98	ABBED 7 1/2 95 LFr	600	97½	98½		8.61
[illegible]						[illegible]					

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day=Change on day. FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread=Margin above six-month offered rate (three-month above mean rate) for US dollars. C.cpn=The current coupon. CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	2	67	11
Other Fixed Interest	0	10	5
Commercial, Industrial	233	458	734
Financial & Property	97	250	448
Oil & Gas	11	30	44
Plantations	0	2	7
Mines	31	31	79
Others	19	66	33
Totals	393	914	1,361

LONDON RECENT ISSUES

EQUITIES

Issue Price	Amount Paid up	Latest Renunc. Date	1992/93 High	1992/93 Low	Stock	Closing Price	+or-	Net Div.	Times Cov'd	Gross Yield	P/E Ratio
§220	F.P.	-	260	243	Critchley Group	260		L6.1	2.2	5.1	18.4
[illegible]											

FIXED INTEREST STOCKS

[illegible]

RIGHTS OFFERS

Issue Price	Amount Paid up	Latest Renunc. Date	1992/93 High	1992/93 Low	Stock	Closing Price	+or-
35	Nil	18/2	3pm	3pm	Hillsdown	3pm	
65	Nil	5/2	1pm	½pm	Lowndes	½pm	
5	Nil	11/2	1½pm	½pm	Melville	½pm	-⅛
25	F.P.	1/3	16	14	Property Trust	16	
2	Nil	11/2	2½pm	½pm	Regal Hotel	1½pm	

a Annualised dividend. b Figures based on prospectus estimates. g Assumed dividend and yield. u Earnings based on preliminary figures. s Forecast or estimated annualised dividend rate, cover based on previous year's earnings. r Ex-dividend. F Dividend and yield based on prospectus or other official estimates for 1992-93. H Dividend and yield based on prospectus or other official estimates for 1993. L Estimated annualised dividend, cover and p/e based on latest annual earnings. N Dividend and yield based on prospectus or other official estimates for 1992. Q Gross. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. § Issued by way of rights. ‡ Introduction. ¶ Placing price. †† Reintroduction. ‡ Unlisted securities market. ♦ Issued in connection with reorganisation, merger or takeover. pm Price at a premium.

TRADITIONAL OPTIONS

● First Dealings Jan 11
● Last Dealings Jan 29
● Last Declarations April 15
● For settlement April 26

3-month call rate indications are shown in Saturday editions.

Calls in: Amber Day, Betterware, Fairhaven, Ferranti, Greycoat, Hanson Wts., Heritage, Proudfoot (A), Rhino, Suter, Tadpole and Wilshaw. Puts in: Amber Day and Rodine. Puts & Calls: ASDA, Brit. Aerospace, Cullens, Mirror Grp., SWP, Trafalgar House and Telemetrics

FT-SE ACTUARIES INDICES

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LIFFE EQUITY OPTIONS

Option		Calls Feb	Calls May	Calls Aug	Puts Feb	Puts May	Puts Aug
Brit Aero (*185)	180	25	51	42	16	28	34
	200	13	24	33	26	40	45

Option		Calls			Puts		
Trafalgar (*87)	80	9	13½	10	1½	4½	8
	90	3	8½	13	6	9	13
Utd Biscuits (*365)	360	14	24	29	5	20	25
	390	3	10	16	25	39	44
Unilever (*1068)	1050	37	56	77	7½	31	40
	1100	7½	30	51	34	57	67
Blue Circle (*195)	180	29	34	40	8	17	22
	200	18	24	29	17	29	32
British Gas (*281)	280	14½	17½	23	9	18	21
	300	6½	9	15	22	31	33
Dixons (*261)	260	20	30	35	17	24	30
	280	12	21	27	30	35	41
Eurotunnel (*343)	330	50	63	74	13	24	30
	360	30	46	58	26	38	45

FT-SE INDEX PUTS

Jan	½	1	5	14	40	85	135	185
Feb	17	25	38	54	74	110	146	188
Mar	28	39	53	72	95	124	157	196
Apr	38	50	65	85	110	117	170	208
Jun †	95	-	85	-	126	-	185	-

January 11 Total Contracts 34,121
Calls 20,636 Puts 13,485
FT-SE Index Calls 8,789 Puts 6,281
Euro FT-SE Calls 2,514 Puts 1,995
*Underlying security price. † Long dated expiry mths
Premiums shown are based on closing offer prices.

FT-ACTUARIES FIXED INTEREST INDICES

PRICE INDICES

		Mon Jan 11	Day's change %	Fri Jan 8	Accrued interest	xd adj. 1992 to date
	British Government					
1	Up to 5 years (24)	127.79	-0.05	127.86	2.20	0.00
2	5-15 years (23)	145.16	-0.42	145.77	2.64	0.00
3	Over 15 years (8)	150.63	-0.67	151.64	2.18	0.00
4	Irredeemables (6)	169.95	-0.65	171.07	1.67	0.00
5	All stocks (61)	141.49	-0.33	141.96	2.45	0.00
	Index-Linked					
6	Up to 5 years (2)	183.25	-0.15	183.52	1.00	0.00
7	Over 5 years (11)	165.39	-0.28	166.17	0.61	0.31
8	All stocks (13)	166.60	-0.27	167.32	0.66	0.27
9	Debs & Loans (62)	123.78	-0.36	124.23	2.81	0.12

AVERAGE GROSS REDEMPTION YIELDS

			Mon Jan 11	Fri Jan 8	Year ago (approx.)
	British Government				
1	Low	5 years	7.09	7.05	8.97
2	Coupons	15 years	0.35	0.27	9.33
3	(0%-7¾%)	20 years	8.62	8.54	9.33
4	Medium	5 years	7.56	7.51	9.77
5	Coupons	15 years	8.79	8.70	9.45
6	(8%-10¾%)	20 years	8.98	8.90	9.38
7	High	5 years	7.70	7.73	9.98
8	Coupons	15 years	9.06	8.96	9.53
9	(11%-)	20 years	9.14	9.05	9.44
10	Irredeemables (Flat Yield)		8.95	8.88	9.53
	Index-Linked				
11	Inflation rate 5%	Up to 5yrs.	2.72	2.67	4.03
12	Inflation rate 5%	Over 5 yrs.	3.85	3.83	4.35
13	Inflation rate 10%	Up to 5 yrs.	1.94	1.88	3.42
14	Inflation rate 10%	Over 5 yrs.	3.67	3.65	4.18
15	Debs &	5 years	8.91	0.91	11.13
16	Loans	15 years	9.88	9.82	10.95
17		25 years	10.05	10.00	10.77

More bad news awaited from demerged women's wear company

Alexon falls on profits fear

By Jane Fuller

FEARS of a second profit warning in six weeks led yesterday to a 17p fall in the share price of Alexon Group, the women's wear retailer.

The 82p closing level represented a new low since its demerger from Claremont Garments (Holdings), the Marks and Spencer supplier, in July 1991. A couple of months after that move the price hit 444p, but it has slid downhill since under the weight of slack trade in the high street and management mistakes on stock.

The shares were undermined yesterday as analysts anxiously awaited a statement about Christmas trading and the January sales. If the news is bad, annual pre-tax profit could fall to a little more than break-even, compared with £11.3m in 1991-92.

Balance sheet worries also emerged, with the focus on the possibility of further stock write-downs. Net debt at the January year-end may be as much as three times last year's level, pushing gearing above 60 per cent.

The forecast increase in borrowings from £7.7m to £20m or more is only partly accounted for by a delayed tax payment of £4.5m. Stock build-up is suspected of having played a part.

Meanwhile Claremont – once the cash cow of the combined group – last week saw its share price soar to a new high of 337p with the help of a confident statement from M and S. Yesterday it eased 11p to 326p – still twice its opening level in July 1991.

Profit forecasts for Alexon had already been knocked back from £7m to about £4m after a profit warning in early December. That announcement stressed disappointing sales at the Dash leisure wear chain.

Two months earlier Mr Lawrence Snyder, chairman, had warned that unsold spring and summer stock, mainly from the Alexon women's wear ranges, would lead to a stock write-off at the end of the year. Analysts pencilled in a profit reduction of about £2m to account for that.

Criticisms levelled at Alexon include that it was slow to change its classic women's wear formula, for instance remaining wedded to co-ordinates for too long, and that Dash was vulnerable to competition, deferred spending on leisure wear and the high fixed cost of prime locations.

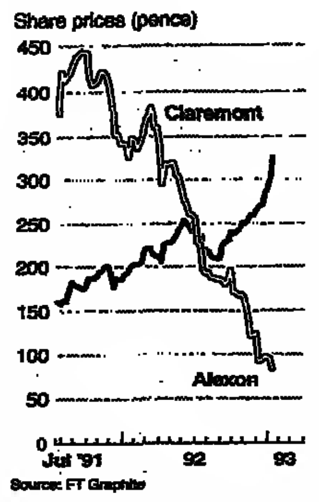
Only Bastex, the revamped range for older women, has escaped the scepticism. Like the Alexon collection it is sold mainly through concessions in department stores.

In the first half of the year, the group's pre-tax profit fell 46 per cent to £2.08m on reduced turnover of £48.7m. Both the Alexon and Dash brands suffered like-for-like sales falls of about 10 per cent.

Although the autumn ranges got off to a good start, Dash proved the most vulnerable to a further sagging of consumer confidence after "black Wednesday" on September 16.

The ensuing profit warning also led analysts to forecast a cut in the final dividend from 7.6p to as little as 2p. This is reflected in the historic yield of 17 per cent. Claremont is now on 2.58 per cent historically, significantly below the market average.

At yesterday's closing prices, Claremont's market value was £131.2m, Alexon's £23.7m.



Source: FT Graphite

Ellis & Everard slips 13% to £6.5m

By Angus Foster

ELLIS & Everard, the chemicals distributor, announced a 13 per cent fall in interim profits as recession continued to affect its main markets in the UK and US.

Pre-tax profits fell from £7.5m to £6.5m in the six months to October 31, in line with market expectations. Mr Peter Wood, chief executive, said business remained difficult and chemical prices had continued to slip in the US. "But we've held our own in our major markets," he said.

Turnover fell from £198m to £190.1m reflecting disposals and lower average dollar exchange rates. US sales increased 8 per cent in volume terms but after the effects of price decreases and sterling conversion, the US contribution was 4 per cent lower.

The UK performed well and recorded volume gains and slight price increases, Mr Wood said. But the swimming pool chemicals division, which made a promising start to the period, tailed off badly and saw profits dive to about £200,000 (£700,000). Preymer, the company's 70 per cent-owned Spanish subsidiary, remained in the red.

Rationalisation in the swimming pools division cost about £150,000. Mr Michael Marshall, the former executive chairman who resigned in July, received compensation of £350,000. Mr Wood said the company hoped to announce a replacement for Mr Marshall before releasing full year results in July.

Net borrowings almost doubled to £18m, taking gearing to 27 per cent compared to 14.3 per cent at the year end. The increase was due to currency translation changes and seasonal factors; interest costs fell to £700,000 (£1m) due to lower borrowing levels.

Earnings fell to 5.5p (6.7p) per share. The interim dividend is maintained at 2.25p.

● COMMENT

Times remain tough for Ellis & Everard and, despite a glimmer of hope in the US, it is difficult to see much recovery flowing through to the results until well into next financial year. Meanwhile, the swimming pools and European operations remain disappointing, especially after the company highlighted the pools' strong performance last year. This suggests full year profits will remain flat with analysts pencilling in £12.5m. Despite yesterday's 7p fall to 188p, the shares are on an expensive multiple of 18. After a strong run since November – along with other second line chemicals companies – the market may need further signs of recovery before allowing the shares to go higher.

Abbey National injects £36m into French subsidiary

By John Gapper, Banking Correspondent

ABBEY NATIONAL, the mortgage lender and retail bank, yesterday announced that it had been forced to more than double the capital of Abbey National France after the subsidiary incurred a large loss last year.

Abbey said it had injected FFr300m (£36.5m) of additional capital into the offshoot to meet capital requirements and support future growth.

It said the subsidiary's anticipated loss for 1992 was less than FFr300m.

The group made a Stock Exchange announcement of the loss after the information was disclosed in press advertisements in France last week. This was despite Abbey being in the close season before its full-year results in March.

The company said it had put measures in place to ensure that price sensitive information would not be disclosed again in this manner.

It said it had made the announcement in order to clarify the loss to the Stock Exchange.

The anticipated loss means Abbey is likely to have to raise provisions for France in the second half of the year.

It provided a total of £80m for bad loans in France, Spain and unsecured British lending in the first half.

Abbey National France, which had capital of FFr207.5m before the injection, is now operating as a mortgage lender on private residential property in France for both British and French home buyers.

The subsidiary was previously called Ficofrance, and was acquired by Abbey in 1990. It has mortgage assets of £700m, and has been badly affected by the slump in the French property market.

Abbey said that part of the subsidiary's assets was lending to property developers.

It stopped all such lending in April last year after the extent of the problems started to become clear.

Waterford Crystal's workforce agrees to cost-cuts

By Tim Coone in Dublin

THE WORKFORCE at Waterford Crystal, the loss-making division of Waterford Wedgwood, the luxury crystal and ceramics manufacturer, has overwhelmingly approved an I£8m (£8.3m) cost-cutting package proposed by management, which should enable the company to return to profitability.

Mr Paddy Galvin, chairman and chief executive of Waterford Crystal, said yesterday that he has been "terribly encouraged that we have had an almost unanimous acceptance by the workforce".

Last November, the unions at the company's three plants in Ireland rejected the rescue package, which initially called for 500 voluntary redundancies out of the workforce of 1,900, across-the-board wage cuts and an industrial peace agreement for five years.

The proposals then went to the Labour Court for arbitration, which recommended that the voluntary redundancy scheme should go ahead, as well as a series of wage cuts as high as 25 per cent for some workforce categories, but that the industrial peace agreement be reduced to three years and that a 12-month moratorium be placed upon any further outsourcing of crystalware from European manufacturers.

Mr Galvin warned last week that a rejection by the workforce of the Labour Court recommendations would result in the closure of Waterford's Irish plants, and that all of its crystalware sold under the Waterford brand name would in future be sourced overseas.

In the past six years the crystal division has suffered losses in the region of I£90m, due to rising costs and declining markets, exacerbated by the recession in its two principal markets in the US and UK.

Rationalisation has resulted in 1,400 redundancies since 1987, while short-time working over the past 18 months has further enabled losses to be trimmed.

However, in the company's interim results in September, it appeared that a 16 per cent increase in crystal sales failed to lift the division out of the red.

It reported increased losses of I£3.2m for the half year.

The company blamed the deficit on "unabsorbed overheads" related to increased short-time working.

The rescue plan is expected to facilitate a return to full-time working in the coming months.

Savings help AG Barr advance 80%

By Peter Pearse

COST SAVINGS derived from the 1991 restructuring of its production and distribution helped AG Barr, the Glasgow-based soft drinks company whose brands include Irn-Bru and Tizer, to lift pre-tax profits 80 per cent to £5.97m in the 53 weeks to October 31.

The result, up from a restated £3.31m for the previous 52 weeks – where the extraordinary restructuring costs were brought above the line – was struck on turnover up 5 per cent at £94.7m (£90m), though this translated into a 3 per cent rise when adjusted for the extra week.

The pre-tax line was also helped by the reduction of interest charges from £1.51m to £1.07m – borrowings fell by £3.75m over the year, according to Mr Robin Barr, chairman. There was also a £409,000 gain from the sale of the stake in Taveners, the sugar confectionery maker.

With operating profits up 17 per cent at £6.63m (£5.66m), Mr Barr said it had been "a strong year" for the company, adding that in a static soft drinks market Barr brands had outperformed competitors, and this in a year of recession when the weather had been unseasonal in the traditionally strong-selling months of August and September.

In Scotland, Irn-Bru commands 18 per cent of the branded market, against Coca Cola which has 25 per cent and Pepsi 8 per cent. In the other flavours segment of the UK carbonates market, it has an 8 per cent share, behind Tango with 12 per cent. Tizer, which Mr Barr said was returning to TV advertising after a three-year absence, has 2.5 per cent.

Mr Barr warned that the first two months of the current year had been affected by price cutting on commodity flavours and that sugar prices had risen 16 per cent between September 1992 and January 1993 because of the fall in the value of the green pound. He reckoned this would result in price increases on brands of about 6 per cent, rather than the 2 per cent planned two months before Black Wednesday.

Earnings grew to 21.67p (12.2p) per share and the final dividend is lifted to 4.75p (4.3767p) to make 6.5p (5.46p) for the year, a rise of 19 per cent.

Trencherwood agrees refinancing package

By Vanessa Houlder, Property Correspondent

TRENCHERWOOD, a USM-quoted housebuilder and property company, yesterday announced a refinancing package under which £35m of bank debts and claims have been swapped to ordinary and preference shares.

The proposals will dilute existing shareholdings to 30 per cent of the enlarged capital. They will be further diluted to 15.9 per cent if the conversion of the preference shares takes place in full.

The restructuring agreement involved 10 banks and building societies. The main lenders to the parent company were Midland Bank, Royal Bank of Scotland and Schroders, who have taken the preference shares. The project lenders, which accounted for about £14m of debts, received ordinary shares.

Midland will be issued with 16.25m new preference shares in exchange for releasing the company from its guarantees of Notiondial, a business park subsidiary which will be sold for a nominal sum.

The banks also agreed to provide five-year term facilities of £22.4m, overdraft and engagement facilities of £7m and a standby facility of £1m.

On November 30, the company had net debts including claims and bonds of £25m and net assets of £7m.

Mr Richard Brooke, finance director of Trencherwood, said the company had prepared a five year business plan which had won the support of its banks. "The banks have been very supportive towards the company," he said.

The refinancing arrangements depend on shareholders' approval, which will be sought at an extraordinary meeting.

In the half year to April 1992, the company incurred a pre-tax loss of £16.4m after exceptional items compared with a deficit of £2.3m the previous year. At that date, the group had a deficiency of net assets of £29m.

Losses per share were 65.6p, compared with 9.3p the previous year.

Regional press tipped as growth industry

By Raymond Snoddy

A DETAILED analysis of the UK regional press predicts strong growth in the sector once economic recovery gets under way.

Mr Eric de Bellaigue, publishing analyst at stockbrokers Panmure Gordon, recommends no less than 12 regional publishing groups as either buys or holds. Five of the companies are picked as buys for both the short-term and the long-term.

The five companies are: Johnston Press, the Scottish local newspaper group which has expanded into England; Southern Newspapers, publishers of the Southern Evening Echo in Southampton; The Daily Mail and General Trust, owners of the Northcliffe group of regional newspapers; Reed International, owners of Reed Regional Newspapers; and United Newspapers, owners of United Provincial Newspapers.

Mr de Bellaigue, in his last publishing study before his retirement, says investors should look at the regional press because "it is a classic recovery sector with 70 per cent of revenues coming from advertising."

Apart from high operational gearing, which means that higher advertising revenue converts mainly into profits, regional papers have strong cash-generating properties and have "the enviable margins" of companies dominating their markets.

Panmure Gordon does however issue a health warning in the shape of the danger that Mr Norman Lamont, the chancellor of the exchequer, might impose value added tax on newspapers and books.

Mr de Bellaigue argues that regional newspapers will inevitably face increased competition from the electronic media.

The longer term strengths of the industry include the conservatism of many of its customers and the scope for further improvement of margins.

Swiss acquire 11.9% stake in HunterPrint

By Jane Fuller

A SWISS Company has taken an 11.9 per cent stake in HunterPrint through the specialist printer's refinancing exercise.

The share price rose 7p yesterday, closing at 50p – the same level as the placing price in December's £13.3m rescue issue.

Ferag, which has supplied binding machinery to HunterPrint's Corby factory, becomes the largest shareholder with 6.9m shares. Its interest in the UK group, which lost £12.2m pre-tax last year, is described as friendly.

Ferag is one of several new shareholders to emerge following the rescue issue, HunterPrint's second in two years. The first involved Sir Ian MacGregor, who was ousted as chairman in August. The take-up of December's issue by established investors was only 22 per cent.

The proceeds were mainly devoted to reducing lease obligations on printing machinery at the Corby factory. The lessors, who took part in the ordinary share placing, also received £5.2m of new convertible preference shares.

Through the placing, three leasing companies have gained stakes of between 3 and 4 per cent. They are Summit Leasing, W & G Equipment Leasing and Norwich Union Equipment Finance. The total number of shares held by these and three other leasing companies is 7.7m, or 13.3 per cent.

In the refinancing Barclays agreed a new credit facility of £14.9m.

Ladbroke to open 70 shops in Argentina

By Paul Taylor

LADBROKE RACING, part of the hotel, DIY, property development and betting group, said yesterday that it plans to open at least 70 off-track betting shops in Argentina over the next five years.

The move, which represents another indication of the improving commercial links between Argentina and Britain highlighted by the visit last week to Buenos Aires by Mr Douglas Hurd, the foreign secretary, could provide the group with an important entry into Argentina's lucrative betting business.

Ladbroke has reached an agreement with Hipodromo Argentino de Palermo which runs the Palermo racecourse in the heart of Buenos Aries close to the River Plate – one of the country's two premier race tracks. Racing is held at Palermo three times a week throughout the year.

Under the agreement, the group has acquired exclusive rights throughout Argentina for the distribution and marketing of Palermo's pari-mutuel (tote-style) betting to both the existing small number of off-track betting shops and its own facilities.

Racing is extremely popular in Argentina but the betting industry is relatively undeveloped. Currently there are just 34 off-track betting shops, but the biggest of these take about $1m (£600,000) in bets each week.

Mr Peter George, Ladbroke's joint managing director, said: "Our racing operations have been following the situation in Argentina closely for two years. Horse racing and betting occupy a prominent and well-established place in the country's leisure industry and we are delighted to have gained the opportunity to be the leading off-track betting operator in the country."

Carclo advances 28% as order book improves

By Richard Gourlay

CARCLO Engineering Group, the Leeds-based card clothing, wire and engineering products group, yesterday announced a 28 per cent increase in profits and earnings and stronger order intake in the past three months.

Interim pre-tax profits rose from £2.87m to £3.68m in the six months to end-September on sales up 5 per cent at £40.7m.

Earnings per share jumped from 4.9p to 6.3p and the interim dividend is increased by 5 per cent to 1.8p.

Mr John Ewart, chairman, said the group was expanding its wire division and was moving the card clothing operation.

The group finished the period with £3m of net cash, a position which is likely to prevail at the end of the year.

The core card clothing division – which grew from the traditional family-run wool-carding industry in Yorkshire in the last century – increased profits by 46 per cent. On sales of £9.8m boosted by an acquisition in Belgium, operating profits rose to £1.5m. Part of the increase followed a greater level of sales to OEM manufacturers which bought very little in the same period in 1991.

Mr Ewart said this relatively inexpensive product had a high gross margin; any increases in sales fed quickly through to the bottom line.

Profitability in the wire division jumped by 78 per cent to £800,000 from a low base. In particular Joseph Sykes Brothers, which makes nylon-covered wire for products like the bindings of notebooks and paper-clips, remained a strongly growing market.

Carclo has decided not to sell Bruntons, a maker of wire rope products, having failed to negotiate a satisfactory price. This company lost £300,000, a £100,000 improvement over the previous period.

The general engineering division enjoyed a 27 per cent increase in profits to £1.2m on sales of £11.5m. The division benefited from sales of cable controls to companies such as Ford and Vauxhall and from strength in bronze and aluminium components, but the remainder of the division faced difficult trading conditions.

Newton management buys out its 35% minority

Newton, the fund management group, has bought out the 35 per cent stake previously held in it by Alexander & Alexander Services, the US insurance broking and management consultancy company.

The company was founded in 1977 as a joint venture between Mr Stewart Newton and Stenhouse, which was acquired by Alexander & Alexander in the 1980s. Management acquired 65 per cent of Newton in a buy-out in 1986.

Newton is also acquiring the management of Stenhouse Exempt Fund and Stenhouse Exempt Gilt Fund from A&A. These pooled pension funds have more than £530m under management. Newton had previously been investment manager but will now take over functions such as administration and marketing.

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Barr (AG)	fin	4.75	-	4.376	6.5	5.459
Carclo Eng	int	1.8	Mar 12	1.71	-	7.81
Ellis & Everard	int	2.25	Mar 12	2.25	-	7.05
Hadleigh Inds §	int	nil	-	1.25	-	1.25
Merchants Trust	int	2.65‡	Feb 26	2.5	-	10
MITIE	int	1.5†	Apr 1	1.25	-	2.75
Tomkins	int	1.805	Apr 8	1.81*	-	5.67*
Treatt §	fin	2.8	Apr 16	2.4	3.6	3.4

Dividends shown pence per share net except where otherwise stated. †On increased capital. §USM stock. *Adjusted for scrip issue. ‡Making 7.95p to date.

British Sugar calls off talks to buy stake in San Francisco refiner

By Maggie Urry

British Sugar, the beet processing and marketing division of Associated British Foods, has called off talks to buy a stake in a San Francisco-based cane sugar refiner.

The discussions with Californian and Hawaiian Sugar Refinery, which were disclosed in March last year, appear to have failed over the price British Sugar was prepared to pay.

C&H is a co-operative owned by the Hawaiian cane sugar growers who send their raw cane to the refinery for processing and distribution. It is the leading brand of sugar in the west of the US.

However, C&H's co-operative status meant that all the growers had to agree the deal and this seems to have proved impossible.

C&H would have been British Sugar's first non-UK investment apart from two factories it owns in Poland.

Tables turned as Aberdeen Petroleum becomes the subject of an unwelcome US approach

By Peggy Hollinger

THE TABLES have been turned on Aberdeen Petroleum, the USM-quoted oil and gas group, which yesterday became the focus of a surprise announcement of an unwelcome approach from a US company.

Houston-based Bellwether Exploration has said that in December it approached the UK-quoted company with merger proposals on the basis of 3.75 Aberdeen shares for each of its own.

Based on an exchange price of $1.5395 to the pound, and Bellwether's share price of 62½ cents, the proposal values each Aberdeen share at 10¾p. The shares last night closed ¼p higher at 8¾p.

Mr Darby Sere, chief executive of Bellwether, said the announcement was made in light of the almost-50 per cent rise in Aberdeen shares since the approach had first been made.

He stressed the synergies between the two groups, which both own and operate North American assets.

If an eventual offer succeeds, then the enlarged company would lose the USM quotation.

Bellwether, an oil and gas exploration and production company, is traded on Nasdaq in the US. It has a market capitalisation of about $11.5m (£7.5m) and is 80 per cent held by three UK institutions and Torchmark, the US insurance company.

It is extremely unlikely, however, that Aberdeen would accept the initial proposals from Bellwether.

Both companies have been in informal discussions for more than a year, said one observer close to Aberdeen.

Yet the Bellwether proposal was believed to be somewhat different from the tentative arrangements discussed in the earlier informal meetings.

The irony of yesterday's announcement was not lost on Aberdeen, which last month received short shrift from Brabant Resources, another USM-quoted company, to its own surprise merger proposals.

Last week Brabant issued a strong statement stressing that Aberdeen's plan did not have the support of the board.

Brabant said its North Sea assets and focus on exploration did not fit with Aberdeen's largely American base.

Mr George Robb, the new chairman of Aberdeen, said his company was meeting with financial advisers to determine an appropriate response.

The announcement would not alter the situation with Brabant, he added.

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Failure to act on surplus distorts companies' behaviour

Advanced corporation tax is threatening the UK's use as a multinational base. Maggie Urry reports

ADVANCE corporation tax has not been popular with companies since its introduction in 1973. But the problem of unrelieved ACT is now posing a threat to the UK being used as e base for multinetional companies, whether originating in Britain or abroad, and deterring UK companies from investing overseas.

With 40 per cent of the earnings of quoted companies coming from ahroad, the tax, which effectively penalises the payment of dividends out of non-UK profits, is a serious issue for the stock market. Tate & Lyle, the sugar and sweetenars group, said recently, "as it stands, this tax acts as a deterrent to overseas investment".

Companies are being required to overpay tax, in the form of ACT, to the tune of £500m a year. And the total of surplus ACT which bad piled up is now approaching £6bn, according to some estimates.

There is concern that higher tax rates caused hy surplus ACT which reduce earnings, and hence share prices, is making it more expensive for them to raise equity capital needed to finance their way out of recession.

Such is the concern at the Department of Trade and Industry about the loss of competitiveness the ACT problem is creating that Mr Michael Heaeltine, president of the Board of Trade, has lent his support to lobby groups which are tackling the Treasury on this ticklish subject.

Representatives of the 100 Group, formed by the finance directors of 100 top companies, have had discussions with Mr Heseltine. Ha promised the DTI would support them in finding proposals acceptable to the Treasury, which would at least partially relieve the surplus ACT liability.

But there appears to he a split between the DTI and the Treasury.

Although Mr Norman Lamont, chancellor of the exchequer, mentioned the question of surplus ACT in the budget, tbe government's current shortage of funds appears to heve pushed the topic down the agenda again.

One finance director said: "All the signals from government are that they cannot give any band-outs wbatsoever. They have said they are prepared to listen to recommendations from industry on surplus ACT provided they are tax neutral in corporation tax terms. They put in that proviso to show willing bnt give absolutely no help."

One academic remarked: "The way tbe revenue has managed to introduce the neutrality of a proposal as a prerequisite for consideration is scandalous".

Meanwhila, the Inland Revenue is becoming more zealous in its attempts to stop companies trying to get round the tax, for instance hy acquiring other companies with a record of mainstream corporation tax payments against which they can offset ACT.

ACT is a method hy which the Inland Revenue passes to companies the responsibility of collecting basic rate income tax on dividends. When a company pays a dividend it must pay the basic rate income tax due to the taxman.

If the recipient of the dividend is a non-taxpayer, such as a pension fund, it can then reclaim the tax. When the company comes to pay its UK corporation tax it can deduct the ACT paid from the bill. The ACT cannot be offset against corporation tax paid in other countries.

The system works well ao long as the company's UK corporation tax bill is greater than the amount of ACT it has paid. If it is not the company has to pay the ACT and the corporation tax. As Mr Barry Bracewell-Milnes, who writes on ACT for the Adam Smith Institute, said: "In certain circumstances ACT is not an advance tax hut a final tax." In effect some companies are being penalised by paying a higher rate of tax than other companies.

Those with a large proportion of profits from non-UK sources and a dividend in line with normal UK pay-out ratios, are unlikely to have sufficient UK corporation tax to mop up the ACT liability. Companies paying uncovered dividends are also hit.

Roger Wood: supporting three proposals for easing the surplus problem

Surplus ACT is partly a cyclical problem as the recession hits UK profits. But it is increasingly regarded as structurel as more companies develop international businesses.

Many industrialists and academics believe ACT is having a distorting effect on how companies behave, which, they say, is bad for corporate UK.

While few will admit to doing anything solely for tax purposes, a survey by the London Business School found that of companies with a surplus ACT problem, a third said it influenced their dividend payments, and three quarters said it was a factor in deciding where to horrow. More than half admitted it influenced decisions on investing abroad and a quarter that it affected the location of research and development.

These corporate consequences of the tax system can be detrimental to the UK economy, leading to the loss of jobs and business opportunities in the UK, and driving skills overseas. As for the incentive to make acquisitions, Mr Bracewell-Milnes said that having "a built-in fiscal incentive for acquiring other companies is not a good way to run an economy".

The DTI is not just concerned about UK companies, though. The ACT regime is such that it can deter foreign groups setting up a holding company in the UK.

Take a US company wishing to group its European businesses under one holding company. Profits from the subsidiaries in each country would be passed to the UK group, which would then pay them to its US parent in the form of a dividend. The UK holding company would have to pay ACT on the dividend, but would be unlikely to have paid enough UK corporation tax to offset that ACT.

Such a company could find a mucb more sympathetic tax regime in the Netherlands or Belgium, for example.

The loss of such companies from the UK has an adverse effect on providers of services such as hanks, accountants and lawyers.

There are almost as many proposed solutions to the question of surplus ACT as there are companies troubled by it, ranging from doing nothing to overhauling the entire tax system. However, most ideas would involve a loss of revenue for the government or an increase in tax for the shareholders.

The government might simply choose to address the holding company issue, perhaps by creating "international holding company" status and giving that category exemption from ACT. But this would cause an outcry among the many UK-owned groups facing the same problem.

At present some companies such as Unilever and Shell with dual corporate status pay ACT only on the dividends paid on the UK shares.

Mr Roger Wood, finance director of Wimpey, the construction group, is chairman of the 100 Group's working party on surplus ACT, which has put forward three other proposals.

He said it had suggested a change in the rules to allow e pound-for-pound offset of ACT against corporation tax. The difference in basic income tax rate and corporation tax rate means that a company must pay £33 of corporation tax to offset £25 of ACT. If there was a pound-for-pound offset it would only need £25 of corporation tax. This appears to be the most likely idea to find government acceptance in the short term.

He also said that companies should be allowed to pay ACT on only a proportion of their dividends. For instance dividends paid out of foreign profits would be paid free of ACT. The Inland Revenue would then have to collect tax on the remaining percentage.

Offsetting ACT against overseas tax would give the Treasury a problem as shareholders which do not pay tax would be able to reclaim tax although the Treasury had not received it. It would take new tax treaties with other countries to solve the problem.

The Ruding Committee, which reported earlier this year, suggested that within the EC it should be possible to offset ACT, and its variants in other countries, against corporation tax paid anywhere within the community. However, the committee's recommendations are not expected to come into force in the foreseeable future.

The 100 Group's third suggestion is that the market in companies with spare ACT capacity should be allowed to flourish, in the same way that tax losses can be bought and sold.

Other lobbyists go further and argue for a fundamental reform of the UK corporation tax system, going back to the pre-1973 arrangements or even to before the introduction of corporation tax itself in 1965.

Hopes of radical change are unlikely to be realised. If the government does agree to reform the system at all, it is more likely to be a matter of tinkering. However, if companies are given a way to offset ACT written off in previous years they may enjoy low tax rates, and thus higher earnings, for some years to come.

Impact of Advance Corporation Tax

	Company A	Company B	Company C	Company D
	£m	£m	£m	£m
Pre-tax profits	100	100	100	100
from UK operations	100	33	25	Nil
from overseas operations	Nil	67	75	100
Net dividend	25	25	25	25
ACT on dividend	8.3	8.3	8.3	8.3
UK corporation tax charge	33	11	8.3	Nil
ACT not offsettable against UK corporation tax	-	-	2.0	8.3
Total UK tax paid	33	11	10.3	8.3
as % of UK profit	33%	33%	41%	Infinity

Source: FT

How ACT works: Companies pay the basic rate of income tax on the gross dividend to the Exchequer - in the example above a gross dividend of £33.3m yields ACT of £8.3m and a net dividend of £25m. The company can then offset ACT against its mainstream UK corporation tax charge, as companies A and B do. But ACT cannot be offset on a pound-for-pound basis because of the difference between corporation tax and basic income tax rates. Companies must pay £33 of corporation tax to relieve £25 of ACT. Thus company C is unable to relieve part of its ACT bill. Company D is unable to offset any.

How companies can relieve the problem of a substantial tax burden

COMPANIES CAN boost UK profits to furnish more corporation tax to relieve the ACT hy moving costs – such as R&D and borrowings – abroad, while bringing more revenue to the UK.

Pilkington, the international glass group which shoulders a substantial burden of ACT, decided last year to move its R&D facility to Brussels. The group's ACT problem cannot bnt have been a consideration.

Most companies offer shareholders the choice of taking dividends in shares rather than cash, as ACT is not payable on scrip dividends. But they are unattractive to tax-free institutional investors who cannot reclaim the tax credit, and generally have a low take-up rate.

Some companies have gone to the extent of making acquisitions in order to buy capacity to relieve ACT. This can be a by-product of a normal acquisition, but there are schemes which appear to be simply moves to avoid tax.

The purchasers are naturally reluctant to discuss such schemes – one finance director when asked if his company had employed one said: "Let's just say I am familiar with how they work".

The sellers are also secretive. One said: "It does no one any good to have these things talked about".

Recent sellers include Spring Ram, the kitchens and bathroom group which sold four subsidiaries with net asset values totalling £1.6m for up to £11.3m.

In May, Farnell Electronics, the electrical components distributor, sold a subsidiary with net assets of £6.2m for £12.7m.

The unofficial market in subsidiaries, organised hy tax consultants, allows companies with a subsidiary which has paid corporation tax over the previous six years in excess of its own ACT requirements to strip the subsidiary of its trading activities and sell it.

The bnyer then passes dividends through the snbsidiary and offsets the ACT on those dividends against the corporation tax paid by its former owners.

The Inland Revenue is understood to be looking at such schemes carefully, and may epply Sections 703 and 704 of the 1988 Income and Corporation Taxes Act – which require that there is a genuine commercial reason for the transaction.

One finance director of a large, international public company, says: "We receive suggestions on ACT regularly and look at them carefully. We discard 98-99 per cent of them either because they are inappropriate or of doubtful legality.

"The key is whether you can genuinely say there is a valid reason for the transaction other than avoidance of tax, otherwise the Inland Revenue will challenge it. We have done one or two which tha Inland Revenue will challenge hut we believe we can say there is e genuine commercial reason."

NEWS DIGEST

Treatt 8% higher at £1.27m

PRE-TAX profits of Treatt, the USM-quoted supplier, blender and distiller of essential oils and aromatic chemicals, showed an 8 per cent advance, from £1.18m to £1.27m, in the year to end-September.

The outcome was achieved on turnover up £3.9m to £15.1m. Earnings per share rose to 9.27p (8.53p) and an improved final dividend of 2.6p is proposed, making 3.6p (3.4p).

Mr Geoffrey Bovill, chairman, said the result included a £107,000 loss at Florida Treatt, the US offshoot. That was disappointing, but represented a 52 per cent improvement.

CSI withdraws from double glazing

Cannon Street Investments is withdrawing from the double glazing segment of its operations.

For the year to December 31 1991 these activities incurred pre-tax losses of £3.3m. The directors believe that losses from this sourca for the 12 months to January 3 1993 will be "significantly" higher than 1991's.

Olivers Windows, the group's principal double glazing business, is calling for the appointment of a liquidator and the boards of the other double glazing offshoots have each requested that a receiver be appointed.

MITIE moves ahead 30% to £943,000

MITIE Group, the Greenock-based building services company, made strong headway at the interim stage despite what Mr David Telling, chairman, described as "even more difficult conditions than last year".

On turnover ahead 60 per cent to £35.6m, pre-tax profits for the six months to September 30 amounted to £943,000 – a rise of 30 per cent on the comparable £726,000.

Earnings per share, however, expanded by a more modest 12 per cent to 5.7p (5.1p) reflecting a 36 per cent tax charge, up from 33.5 per cent, and increased minority interests. The interim dividend goes np from 1.25p to 1.5p.

Hadleigh reduces deficit to £0.36m

The implementation of a cost savings package enabled Hadleigh Industries, the USM-quoted specialist supplier of transport and storage products and services, to reduce losses from £535,000 to £357,000 pre-tax for the half year to September 30.

The group has been trading profitably since the period end and its forward order book is "healthier" than for some time. Directors believe this will lead to a "significant" improvement in the second half.

First half sales amounted to £13.8m (£14m). The pre-tax figure was struck after taking account of interest charges of £366,000 (£296,000) and exceptional provisions of £98,000 (£288,000).

Losses per share emerged at 3.3p (4.87p) and the interim dividend is omitted – 1.25p was paid previously but the final was passed. At September 30 gearing stood at 83 per cent (74 per cent).

Simon Engineering rationalisation

Simon Access, part of Simon Engineering Group, is to rationalise its European assembly operations into four plants – Dudley and Gloucester in the UK, Cork in the Irish Republic and Brescia, in Italy.

Capacity at the Thetford, Norfolk, plant of Simon Aerials will be reduced and an anticipated 60 redundancies have been announced. Some products will be transferred to other plants in the UK and Ireland, with Thetford remaining as a fabrication centre.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for Trading on 12.01.93: Pool purchase price £/MWh	Final Prices for Trading on 15.12.92: Pool purchase price £/MWh	Pool selling price £/MWh
0030	17.55	17.88	17.88
0100	20.45	22.90	23.92
0130	26.00	29.72	31.02
0200	26.08	29.72	30.97
0230	20.18	23.11	24.08
0300	20.16	20.46	20.46
0330	17.64	20.46	20.46
0400	17.53	17.72	17.72
0430	17.49	17.89	17.89
0500	17.49	17.89	17.89
0530	18.31	17.71	17.71
0600	18.31	17.71	17.71
0630	17.52	18.54	18.54
0700	20.42	21.88	22.82
0730	20.55	23.28	24.27
0800	21.08	23.65	24.68
0830	21.27	23.65	24.65
0900	21.58	24.50	25.51
0930	21.59	30.11	31.31
1000	21.59	30.11	31.31
1030	21.59	30.11	31.33
1100	21.80	23.65	24.64
1130	25.34	23.65	24.64
1200	25.49	23.65	24.64
1230	25.48	23.66	24.64
1300	20.32	23.65	24.65
1330	21.26	23.65	24.65
1400	21.26	20.46	20.46
1430	21.00	20.46	20.48
1500	21.88	20.46	20.46
1530	21.08	20.65	20.65
1600	21.73	23.68	24.09
1630	38.67	29.68	30.92
1700	57.20	30.44	31.93
1730	59.65	30.61	31.95
1800	50.70	29.70	31.05
1830	30.92	27.68	28.70
1900	28.01	26.00	27.03
1930	27.00	25.08	26.02
2000	21.74	24.40	25.35
2030	20.92	23.28	24.19
2100	20.92	23.28	24.19
2130	20.65	22.85	23.78
2200	20.66	22.74	23.69
2230	17.72	22.43	23.28
2300	17.52	20.03	20.03
2330	17.48	17.69	17.69
2400	17.46	17.69	17.69

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £16.88/MWh becomes 1.688p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreement which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by NGC Settlements Limited. Anyone wishing to receive such information should telephone 0602-456780 between 8.30am and 5.15pm Monday to Friday.

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COMMODITIES AND AGRICULTURE

Minister sparks row over Zambian copper finances

By Kenneth Gooding, Mining Correspondent

A FURIOUS row has been sparked by Mr Mathias Mphande, Zambia's deputy minister of mines, who has suggested that Zambia Consolidated Copper Mines, which accounts for about 5 per cent of western world copper mine output, is in a perilous financial position.

The company, the world's second-largest quoted copper producer after Phelps Dodge of the US, is preparing to refute Mr Mphande's remarks and in the meantime the London-based Credit Lyonnais Laing financial services group yesterday rushed out a note to clients about ZCCM's finances.

This included a statement that, after seven months of the present financial year, the company's attributable earnings of $99m were 400 per cent ahead of those for the same months in 1991-92 and it had enjoyed a cash inflow of about $60m.

CLL has a vested interest in the affair because its clients own about 8.5 per cent of ZCCM's shares. Another 27 per cent is owned by Zambia Copper Investments, in which Minorco, the overseas investment arm of the Anglo American Corporation of South Africa, has a substantial interest, and 60 per cent is owned by the Zambian government.

In remarks quoted by Zambia's Weekly Post, Mr Mphande called for the rapid privatisation of ZCCM to free it, he said, from the political interference that contributed to its troubles. He was quoted as saying ZCCM could face closure if it failed to raise $2bn. "ZCCM has no money and, since it is not making money, it is unable to service its loans," the newspaper quoted him as saying.

Mr Michael Coulson, analyst at CLL, pointed out yesterday that, under the new regime in Zambia, ZCCM operated independently and the government exercised influence only through its three board directors. He said he had contacted ZCCM and had been told that copper production after seven months was running 10 per cent ahead of last year's level. (In the year to March 31 ZCCM produced about 387,000 tonnes of copper.)

Mr Coulson said ZCCM's pre-tax profits, at about $168m after seven months, were 100 per cent ahead of budget. He added: "Additionally, virtually all the company's financial ratios are comfortably within internationally accepted norms".

Correction

Metal forecasts

The base metals table published on this page last Friday should have been headed Analysts' Forecasts for Average Prices in 1993, not 1992 as printed.

Oil market steadier despite Opec worries

By Deborah Hargreaves

OIL PRICES moved up slightly yesterday, but the underlying tone remained weak as traders saw no evidence of output cuts from the Organisation of Petroleum Exporting Countries and demand in Europe stayed low.

North Sea Brent crude oil for February delivery was 10 cents higher at $17.65 a barrel in a fairly quiet market. Severe storms in the North Sea continued to affect oil production and Statoil, Norway's state oil company, said Norwegian production was half its usual 2.3m barrels a day.

In addition, Mobil, an offshoot of the large US company, said it had cut production from its 110,000 b/d Beryl field by a half. Production has been reined back because of the difficulties in docking tankers in the gales to pick up the oil.

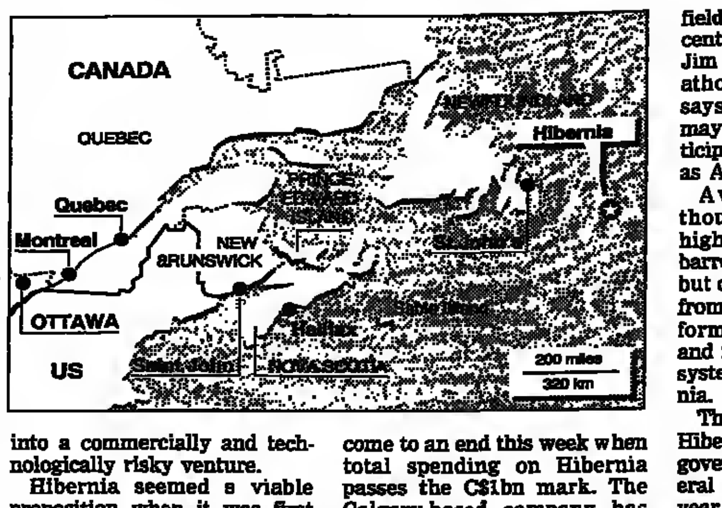
But in spite of problems in the North Sea, market observers say there is still too much oil in the world market. Traders have seen few efforts on the part of Opec countries to staunch their flows of oil in accordance with a plan to cut output agreed in November.

Petroleum Intelligence Weekly, the industry newsletter, estimated last month that Opec had produced more than 25m b/d compared with the agreed ceiling of 24.58m b/d. It said yesterday that the only cuts evident were price cuts.

However, Saudi Arabia has signalled its willingness to reduce its own output at the organisation's February meeting if others cut back too.

Canadian project 'is dead, but won't lie down'

Bernard Simon explains reluctance to mothball the troubled Hibernia development



ANY INVESTOR interested in a cheap but potentially troublesome stake in Canada's most ambitious energy project should get in touch with the government in Ottawa. A warm and generous welcome is assured.

The authorities have been scouring the international oil industry for someone to take up to 25 per cent of the Hibernia field, now under construction off the south-east coast of Newfoundland. The stake became available last summer when Gulf Canada Resources decided to walk away from Hibernia to concentrate on projects in western Canada with faster and more certain returns. Despite an array of financial incentives, the response from other investors has so far been less than enthusiastic. Those wooed have ranged from the big US oil companies to Mitsubishi of Japan and Finland's Neste Oy. Texaco showed some interest but then backed away, citing prohibitive insurance costs. Latest reports suggest that Arkansas-based Murphy Oil may buy a small shareholding.

Should no one step forward to take the full 25 per cent (as seems probable), the project is likely to survive only if the government itself becomes a shareholder. The Ottawa government thus faces the unpleasant choice between pulling the plug on a high-profile mega-project or pumping even more taxpayers' money into a commercially and technologically risky venture.

Hibernia seemed a viable proposition when it was first discovered in 1979 during the days of soaring oil prices. More recently however, the C$5.2bn (£2.65bn) project has been propelled more by the politics of regional development than by sound commercial judgment. Handsome government incentives, including C$1bn in grants and C$1.7bn in loan guarantees, lured a four-member consortium led by Mobil Oil Canada to start developing the field in 1990.

Even with these subsidies however, the partners require an oil price of between US$18 and $21 a barrel (at 1990 prices) to earn a reasonable return from Hibernia's expected output of 110,000 barrels a day. World oil prices are at present hovering around $18 a barrel.

Gulf's financial contributions come to an end this week when total spending on Hibernia passes the C$1bn mark. The Calgary-based company has sunk about C$200m into the project in the past three years and still faces a write-down of up to C$300m on its investment.

The company failed to find a buyer for its stake and after an exhaustive study, it urged the government and the remaining three partners – Mobil, Chevron and Petro-Canada – to mothball Hibernia. But the others chose to press ahead, although construction work was slowed down, delaying initial production from 1996 to 1997.

The advantages of Hibernia for Mobil and Petro-Canada include deductibility of future outlays from their rising tax liabilities. Furthermore, the Geological Survey of Canada estimates that the Hibernia field contains only about 15 per cent of reserves in the area. Mr Jim Doak, analyst at First Marathon Securities in Toronto, says the remaining partners may have an eye on future participation in other fields, such as Avalon and Terra Nova.

Avalon's reserves are thought to be substantially higher than Hibernia's 685m barrels. Terra Nova is smaller, but could probably be exploited from a floating production platform rather than the costly and risky concrete gravity-base system being built for Hibernia.

The pressure to stick with Hibernia is most intense on the government. Not only is a general election looming later this year, but the offshore development is at present one of the few generators of economic activity in Newfoundland. The province's economy has shrunk by more than 3 per cent in the past two years, largely as a result of a moratorium on cod fishing designed to replenish depleted stocks in the North Atlantic. The government estimates that cancellation of the Hibernia project would push the province's real domestic product down by 3 per cent between 1992 and 1996.

According to the Atlantic Provinces Economic Council, Hibernia "is almost indispensable to the provincial economy". At a time when unemployment in Newfoundland is running at almost 22 per cent, Hibernia has created about 1,100 jobs, mainly related to construction of the concrete production platform.

Not everyone is convinced however, that Hibernia is the best way of securing the province's long-term prosperity. Mr Wade Locke, an economics professor at Memorial University in St John's, is convinced that Newfoundland could have generated more economic activity simply by investing the C$1bn government grant in the bond market and spending the interest on job-creation schemes.

Much of the engineering and construction work for Hibernia is taking place outside Newfoundland, mainly in Paris and Montreal.

Mr Locke also questions whether technology used for Hibernia's concrete gravity base or the site where the production platform is being assembled will be of much use for future oilfields off the east coast.

Whatever the economic arguments in favour of killing the project, Hibernia has built up so much momentum that it would take a brave politician to try to stop it now. In response to an editorial titled "Hibernia Death Watch" in the Globe and Mail newspaper last week, Mr John Crosbie, fisheries minister and Newfoundland's most vociferous supporter in the government, declared that "she's dead, but she won't lie down". Mr Crosbie asserted bluntly that "one of this century's great frontier projects will go forward despite the difficulties and obstacles".

Norilsk manager reveals nickel ouput

RUSSIA'S GIANT Norilsk Nickel company produced 240,000 tonnes of nickel in 1992, according to Mr Sergei Korneyev, the sales and purchasing manager, reports Reuter from Moscow.

He said the Interfax news agency's report that the company exported between 60,000 and 65,000 tonnes of nickel in 1992 was correct "plus or minus 10 per cent".

He gave no comparisons for 1991 production or exports.

It is the first time the traditionally secretive plant has outlined production figures. Officials said last year they expected 1992 output to fall by 15 per cent in line with a general decline in Russian industry, but they gave no absolute figures.

Data on output of precious and strategic metals were traditionally kept secret in the former Soviet Union and Russian producers have also been reluctant to release figures. But information has been trickling out in recent months, providing important clues to Russia's role as an exporter and producer on world markets.

Norilsk, with plants in Siberia and on the Kola peninsula, accounts for about 80 per cent of Russian nickel production.

It is also an important copper producer, but Mr Korneyev said Interfax's figures of 1992 output of 450,000 tonnes copper were "slightly exaggerated".

Interfax said nickel exports from the whole of the Commonwealth of Independent States probably totalled 120,000 tonnes, up from 100,000 tonnes in 1991. But Korneyev said it was impossible to determine total CIS nickel exports because the metal was being exported by other companies and from stocks as well as by Norilsk. "The full figure for exports will come later from customs data," he said.

There have also been complaints that large amounts of nickel and other non-ferrous metals have been smuggled out of Russia, mostly via the Baltic states.

Indonesia expects bigger coconut crop

By William Keeling in Jakarta

WORLD COCONUT production is expected to rise by 3.4 per cent this year, leading to an increase in the exports of coconut products such as oil, copra meal and copra, according to the Asian and Pacific Coconut Community. The APCC, whose members account for over 80 per cent of the world crop, estimate 1993 production at 9.2m tonnes copra equivalent, up from 8.9m tonnes last year.

Indonesia is expected to remain the largest producer with a crop this year of 2.4m tonnes copra equivalent, followed by the Philippines with 2.2m tonnes and India with 1.5m tonnes.

World exports of coconut oil are forecast to rise less than 2 per cent this year to 1.5m tonnes, although much depends on how Indonesian producers react to the decline in the world price, which fell 26 per cent last year to end 1992 at $470 a tonne.

Indonesia exported an estimated 300,000 tonnes of coconut oil in 1992, up from 197,633 tonnes in 1991 but, industry officials say, producers can switch back to the domestic market, which consumes up to 800,000 tonnes a year.

APCC officials say the world price of coconut oil will also depend on world production of palm kernel oil, its main competitor, which has risen steadily from 1m tonnes in 1987 to 1.48m tonnes by 1991.

World exports of copra meal, used for animal feed, are forecast to reach 1m tonnes this year, up from 952,000 in 1992. APCC officials say European Community toxin regulations have curtailed EC imports of copra meal and the world price of copra meal fell 10 per cent last year to $143 a tonne.

World exports of copra are forecast to rise 14 per cent to 255,500 tonnes this year, whilst those of desiccated coconut are expected to reach 203,000 tonnes, up 3 per cent on last year.

Chicago lumber prices soar as weather cuts supplies

By Laurie Morse in Chicago

ENVIRONMENTAL constraints on logging in the US Pacific north-west have gradually slowed lumber deliveries to the US housing industry, and now heavy snows and frigid weather in logging and saw mill regions have cut lumber supplies to a trickle.

Tight supplies of Canadian spruce turned up the heat in the lumber futures pit at the Chicago Mercantile Exchange last week, with prices hitting their highest levels in the 15-year life of the contract. Lumber futures for delivery this month reached an all-time high of $304.60 per thousand board feet Friday, and climbed to $315.50 yesterday morning.

The normally sleepy lumber futures pit at the CME has long been a barometer of US economic health. Strong lumber demand generally reflects a healthy US housing market. Lately, low interest rates and slow but steady economic growth have helped set a bullish tone in lumber prices as traders have anticipated a revival in home-building.

However, volume and volatility caught fire in late November as logging channels in Oregon and Washington state timber regions were hit by extreme winter weather. The freeze continued through the Christmas holidays, with temperatures so cold that saw mills could not operate at full capacity even when they had timber on hand. The weather caused a supply squeeze just as demand was perking up.

Mr Curt Cunningham, an analyst with Pacific Futures Trading in Seattle, Washington, said lumber wholesalers started the winter season with low stocks. "Dealers depleted inventories all through the fall, and then in November had to buy up enormous amounts of wood to keep up their stocks," he said. And while adverse weather in the Pacific north-west was shutting down lumber production, in most of the rest of the US it was warmer than usual, and conducive to building, stepping up lumber demand. Wholesalers are reporting that the normal three-week order backlog has grown to five weeks.

Mr Cunningham thought the recent price run-up in lumber futures might be reaching its peak, as the January contract goes off the board this week.

While some may worry that the lumber futures price may be distorted by its relatively small size – only 1,252 contracts were traded on Friday – analysts say futures prices have been tracking underlying cash indices faithfully.

Analysts say a fundamental shift in north-west logging practices may continue to keep the heat on in the lumber futures pit in Chicago. The US logging industry depends heavily on federal timber lands. Pressure from environmentalists and outdoorsmen has limited availability, with sales of federal timber down 51.6 per cent in 1992 from 1990.

WORLD COMMODITIES PRICES

MARKET REPORT

The London **GOLD** price moved to a fresh 7-year low in late trading, following the trend in New York, where the tone was undermined by Middle East selling. Earlier steadiness in European markets had been attributed to central bank activity. "No-one wants to buy gold," commented one New York analyst; "there's no inflation to speak of." At the London Metal Exchange **COPPER** prices reversed the uptrend of late last week with cash metal ending £46.50 down at £1,492.50 a tonne. Dealers said this reflected the presence of China, which last week had been a persistant buyer, as a net seller. **ALUMINIUM** prices rose in late trading on widespread talk of US production or smelter power problems. The three months price closed at $1,242.50 a tonne, up $35.75 from Friday, and moved on to $1,248 in kerb (after hours) trading. Earlier news that International Primary Aluminium Institute producer stocks fell by 28,000 tonnes in November was only marginally supportive as some dealers had expected a much larger fall. Other metals were mostly lower.

Compiled from Reuters

London Markets

SPOT MARKETS		
Crude oil (per barrel FOB)(Feb)		+ or -
Dubai	$15.20-5.35	-.125
Brent Blend (dated)	$17.25-7.30	+0.60
Brent Blend (Feb)	$17.45-7.55	-.025
W.T.I (1 pm est)	$19.80-8.00	-.025
Oil products (NWE prompt delivery per tonne CIF		+ or -
Premium Gasoline	$185-187	+0.5
Gas Oil	$173-174	
Heavy Fuel Oil	$73-74	+1
Naphtha	$179-180	-2.5
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$327.35	-1.0
Silver (per troy oz)♣	366.5c	-2
Platinum (per troy oz)	$358.25	+1.25
Palladium (per troy oz)	$111.80	-0.25
Copper (US Producer)	110.5c	+1
Lead (US Producer)	34.625c	+1.13
Tin (Kuala Lumpur market)	14.82r	-0.28
Tin (New York)	271.5c	-1
Zinc (US Prime Western)	62.0c	
Cattle (live weight)†	116.82p	+0.86*
Sheep (live weight)†♣	87.81p	+1.35*
Pigs (live weight)†	79.68p	-6.64*
London daily sugar (raw)	$214.0	+9.4
London daily sugar (white)	$253.0	+4.4
Tate and Lyle export price	£247.0	+4.8
Barley (English feed)	£134.0	
Maize (US No. 3 yellow)	£161.0	
Wheat (US Dark Northern)	Unq	
Rubber (Feb)♥	60.50p	-0.25
Rubber (Mar)♥	64.00p	-0.25
Rubber (KL RSS No 1 Jan)	230.5m	
Coconut oil (Philippines)§	$460.0y	
Palm Oil (Malaysian)§	$410.0z	-5
Copra (Philippines)§	$292.5	-2.5
Soyabeans (US)	£176.5	+2
Cotton "A" Index	56.70c	-0.05
Wooltops (64s Super)	390p	-9

£ a tonne unless otherwise stated. p-pence/kg c-cents/lb. r-ringgit/kg. y-Feb/Mar u-Feb. x-Aug. w-Dec/Jan. z-Jan/Mar. ♥London physical. §CIF Rotterdam ♣ Bullion market close. m-Malaysian cents/kg. ♣Sheep prices are now live weight prices * change from a week ago. provisional prices

SUGAR – London FOX			($ per tonne)
Raw	Close	Previous	High/Low
Mar	101.60	180.00	189.60
May	192.60	193.60	194.00
White	Close	Previous	High/Low
Mar	255.20	254.00	256 60 251.20
May	258 40	255.60	258.50 252.30
Aug	261.40	261.10	259.80 258.60

Turnover: Raw 32 (13) lots of 50 tonnes. White 1222 (1578) Paris- White (FFr per tonne): Mar 1424.53 May 1456.29

CRUDE OIL – IPE			$/barrel
	Latest	Previous	High/Low
Feb	17.47	17.45	17.70 17.48
Mar	17.64	17 65	17.84 17.62
Apr	17 76	17.78	17.94 17 75
May	17.85	17.89	17.97 17.83
Jun	17.92	17.97	18.03 17.92
Jul	17.93	17.97	18.05 17.98
IPE Index	17.57	17.60	

Turnover 25518 (39382)

GAS OIL – IPE			$/tonne
	Close	Previous	High/Low
Jan	165.25	166.60	167.75 164.75
Feb	167.00	166.50	166.25 166.75
Mar	107.25	166.25	166.25 166.50
Apr	166.25	165.50	167.60 166.75
May	165.25	165.00	166.25 184.50
Jun	165.50	165.60	166.60 164.50
Jul	167.75	165.50	165.25 166.00

Turnover 18333 (23777) lots nt 100 tonnes

TEA

There were 12,340 packages for the day reports the Tea Brokers Association. There was very strong and widespread demand. Landed Assams met increased competition with prices 5 to 15p dearer. All medium and brighter liquoring African teas were actively supported and frequently showed advances of 10 to 20 pence. Offshore good general demand with Ceylons firm and Kenya price levels 10 to 15p higher. The highest price realised this week was 250p for a Rwanda pf.1. Quotations:quality 220, good medium 180, medium 165, low medium 125.

COCOA – London FOX			£/tonne
	Close	Previous	High/Low
Mar	687	689	691 683
May	700	703	704 698
Jul	714	715	718 712
Sep	727	730	731 726
Dec	748	750	750 747
Mar	769	772	772 768
May	785	787	787
Jul	801	802	799 798

Turnover: 3158 (12275) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Jan 0 745.39 (744.41) 10 day average for Jan 7 740.23 (739.55)

COFFEE – London FOX			$/tonne
	Close	Previous	High/Low
Jan	948	945	945 930
Mar	953	950	953 931
May	935	933	942 910
Jul	933	925	930 812
Sep	936	936	935 922
Nov	938	948	939 929

Turnover:3160 (5484) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Jan 8: Comp. daily 59.57 (60.58) 15 day average 63.54 (63.85)

POTATOES – London FOX			£/tonne
	Close	Previous	High/Low
Apr	82.0	83.0	82.1 82.0
May	71.0	01.0	71.1 70.1

Turnover 16 (11) lots of 20 tonnes.

SOYAMEAL – London FOX			£/tonne
	Close	Previous	High/Low
Feb	53.5	-	

Turnover 0 (0) lots of 20 tonnes.

FREIGHT – London FOX			$10/index point
	Close	Previous	High/Low
Jan	1275	1260	1275 1260
Feb	1236	1235	1235
Mar	1245	1236	1245 1236
Apr	1240	1235	1240 1235
Jul	1120	1120	1120
BFI	1310	1324	

Turnover 31 (261)

GRAINS – London FOX			£/tonne
Wheat	Close	Previous	High/Low
Jan	135.25	135.60	135.25
Mar	136.05	156.40	136.40 135.75
May	138.00	138.30	138.25 137 75
Nov	109.90	110.00	160.00
Jan	113.25	113.10	113.25
Barley	Close	Previous	High/Low
Mar	132.00	133.25	133.00 132.90
May	134.00	134.50	134.60
Nov	109.00	109.10	109.00

Turnover: Wheat 238 (280), Barley 39 (38). Turnover lots of 100 Tonnes.

PIGS – London FOX			(Cash Settlement) p/kg
	Close	Previous	High/Low
Apr	103.5	-	

Turnover:2 (0) lots of 3,250 kg

LONDON METAL EXCHANGE						(Prices supplied by Amalgamated Metal Trading)
	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)						Total daily turnover 34,909 lots
Cash	1219.5-20.5	1164-5	1205/1205	1204.5-5.0		
3 months	1242-3	1206.5-7	1248/1226	1227.5-8.0	1248-9	182,744 lots
Copper, Grade A (£ per tonne)						Total daily turnover 50,354 lots
Cash	1492-3	1538.5-8.5	1499/1498	1499-500		
3 months	1612-3	1557-7.5	1530/1510.5	1517.5-8.0	1510-10.5	153,732 lots
Lead (£ per tonne)						Total daily turnover 2,445 lots
Cash	286.5-7.5	288.5-8.5	289.5/289	289-8.5		
3 months	297-7.5	299-300	299.5/297	298.5-8.75	296-7	20,109 lots
Nickel ($ per tonne)						Total daily turnover 15,808 lots
Cash	6165-70	0170-5	5152	5150-2		
3 months	6235-40	6240-5	6250/6210	6227-9	6226-30	39,416 lots
Tin ($ per tonne)						Total daily turnover 2,042 lots
Cash	5860-70	5880-90	5835/5835	5830-5		
3 months	5920-30	5955-60	5920/5890	5895-900	5910-20	8,442 lots
Zinc, Special High Grade ($ per tonne)						Total daily turnover 14,635 lots
Cash	1047.5-8.5	1065-7	1051	1051-1.5		
3 months	1068.5-7.0	1073-4	1074/1067	1069-8.5	1074-5	68,657 lots

LME Closing £/$ rate: SPOT: 1.5535 5 months: 1.5385 8 months: 1.5314 6 months: 1.5229

LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

Gold (troy oz)	$ price	£ equivalent
Close	327.20-327.50	
Opening	328.70-328.60	
Morning fix	328.40	212.117
Afternoon fix	328.40	211.054
Day's high	328.70-329.60	
Day's low	326.90-327.20	

Loco Ldn Mean Gold Lending Rates (Vs US$)			
1 month	1.26	6 months	1.84
2 months	1.36	12 months	2.36
3 months	1.43		

Silver fix	p/troy oz	US cts equiv
Spot	236.55	368.55
3 months	240.65	369.35
6 months	244.40	372.45
12 months	251.90	380.30

GOLD COINS	$ price	£ equivalent
Krugerrand	328.00-331.60	212.00-214.60
Maple leaf	337.30-338.60	-
New Sovereign	77.00-80.00	49.00-51.00

TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price 0 tonne	Feb	May	Feb	May
1200	36	71	7	10
1225	20	60	16	28
1250	10	42	31	40
Copper (Grade A)	Calls		Puts	
2300	48	78	34	70
2350	24	55	62	96
2400	11	39	98	123
Coffee	Mar	May	Mar	May
900	63	69	11	34
950	33	44	31	59
1000	15	26	63	03
Cocoa	Mar	May	Mar	May
650	45	64	8	14
675	29	48	17	33
700	16	34	34	34
Brent Crude	Feb	Mar	Feb	Mar
1750	5	26	18	
1800	41	53	1	28
1850				12

New York

GOLD 150 troy oz.; $/troy oz.				
	Close	Previous	High/Low	
Jan	327.5	329.2	0	0
Feb	327.6	329.5	328.9	326.9
Mar	328.3	330.0	329.2	328.2
Apr	328.0	330.6	330.0	328.0
Jun	330.2	331.9	331.3	329.7
Aug	331.5	333.2	332.1	331.5
Oct	333.1	334.7	0	0
Dec	334.8	336.3	335.2	333.5
Feb	336.8	338.3	0	0

PLATINUM 50 troy oz; $/troy oz.				
	Close	Previous	High/Low	
Jan	356.8	358.9	358.5	355.5
Apr	355.5	357.8	357.6	354.0
Jul	353.5	355.8	358.0	353.0
Oct	352.5	354.0	0	0
Jan	351.5	353.8	0	0

SILVER 5,000 troy oz; cents/troy oz.				
	Close	Previous	High/Low	
Jan	364.9	366.6	0	0
Feb	365.8	367.8	0	0
Mar	366.7	368 7	368.0	366.5
May	369.3	371.3	370.0	368.0
Jul	371.6	373.8	373.3	371.5
Sep	374.6	376.6	0	0
Dec	378.0	381.0	380.0	379.0
Jan	380.1	382.2	0	0
Mar	383.8	385.9	366.0	385.0
May	387.4	388.5	0	0

HIGH GRADE COPPER 25,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Jan	103.10	106.65	104 75	103.10
Feb	103.70	107.25	105.50	103.65
Mar	104.05	107.60	105.75	105.50
Apr	104.05	107.60	0	0
May	103.60	107.25	105.60	103.60
Jun	104.60	107.15	0	0
Jul	103.95	107.00	105.50	103.40
Aug	103.90	106 65	0	0
Sep	103.65	106.70	105.00	150.50

CRUDE OIL (Light) 42,000 US galls $/barrel				
	Latest	Previous	High/Low	
Feb	18.84	18.88	19.02	18.60
Mar	19.60	19.06	10.10	18.97
Apr	19.13	19.20	10.31	10.12
May	18.23	10.30	18.39	10.23
Jun	10.39	19.38	19.45	19.39
Jul	18.40	10.42	19.51	19.40
Aug	19.47	10.48	19.50	10.47
Sep	19.60	10.48	18.55	10.54
Oct	10.53	19.50	10 62	10.50
Nov	18.60	10.52	10.60	10.60

HEATING OIL 42,000 US galls, cents/US galls				
	Latest	Previous	High/Low	
Feb	53.70	53.67	64.40	53.55
Mar	54.05	54.08	54.75	63.95
Apr	53.95	64.09	54.55	53.96
May	53.45	53.61	53.90	53.45
Jun	53.45	53.49	63.70	53.50
Jul	53.60	53.82	53.90	53.65
Aug	54.50	54.52	84.70	84.70
Sep	55.65	55.72	55.80	55.75
Oct	56.60	56.67	56.50	50.50
Nov	57.60	57.57	57.60	57.60

COCOA 10 tonnes;$/tonnes				
	Close	Previous	High/Low	
Mar	950	943	961	946
May	075	970	985	972
Jul	1000	995	1008	996
Sep	1021	1011	1029	1010
Dec	1052	1046	1065	1046
Mar	1085	1077	1090	1090
May	1110	1102	0	0
Jul	1132	1124	0	0
Sep	1155	1147	0	0
Dec	1180	1170	0	0

COFFEE "C" 67,500lbs; cents/lbs				
	Close	Previous	High/Low	
Mar	69.25	70.30	70.75	68.45
May	74.35	75.35	75.50	73.56
Jul	76.25	76.85	77.00	76.40
Sep	70.00	70.80	78.80	77.20
Dec	80.45	80.70	80.60	79.80
Mar	82.70	82.65	0	0
May	84.95	85.35	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Mar	8.64	8.50	8.69	8.47
May	8.68	8.62	8.72	8.59
Jul	8.71	8.63	8.70	8.60
Oct	8.69	8.57	8.73	8.56
Mar	8.74	8.64	8.80	8.67
May	8.80	8.73	0	0

COTTON 50,000; cents/lbs				
	Close	Previous	High/Low	
Mar	60.80	60.79	61.60	60.44
May	61.43	61.77	62.40	61.30
Jul	62.35	62.65	63.25	62.30
Oct	61.37	61.60	62.60	61.37
Dec	60.55	60.85	61.20	60.35
Mar	01.30	61.85	61.95	61.30
May	61.90	62.45	0	0

ORANGE JUICE 15,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Jan	79.25	78.70	80.25	78.90
Mar	81.80	81.05	82.40	80.75
May	84.25	85.60	84.60	83.20
Jul	85.75	85.40	86.25	85.60
Sep	80 70	86.25	07.50	80.75
Nov	86.80	86.25	07.25	07.25
Jan	66.45	88.35	89.60	89.00
Mar	89.45	88.35	0	0
May	90.05	90.05	0	0

INDICES

REUTERS (Base:September 18 1931 = 100)			
Jan 11	Jan 6	mnth ago	yr ago
1704.4	1715.2	1687.9	1600.6

DOW JONES (Base: Dec. 31 1074 = 100)				
	Jan 8	Jan 7	mnth ago	yr ago
Spot	122.15	122.12	121.65	112.73
Futures	123.85	123.60	120.06	121.52

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel				
	Close	Previous	High/Low	
Jan	576/6	576/4	577/2	574/4
Mar	578/4	579/2	579/2	576/4
May	582/4	583/6	583/2	581/0
Jul	587/6	588/2	588/2	586/0
Aug	589/2	590/4	589/6	588/0
Sep	587/6	589/4	588/2	587/6
Nov	592/0	593/6	592/0	590/2
Jan	596/6	600/6	599/4	598/6
Mar	608/0	610/0	0	0
Jul	615/0	617/0	0	0

SOYABEAN OIL 60,000 lbs; cents/lb				
	Close	Previous	High/Low	
Jan	21.36	21.27	21.40	21.16
Mar	21.59	21.48	21.51	21.35
May	21.70	21.65	21.79	21.54
Jul	21.92	21.82	21.93	21.70
Aug	21.95	21.82	21.06	21.77
Sep	21.85	21.83	21.95	21.77
Oct	21.85	21.80	21.65	21.75
Dec	22.00	21.86	22.00	22.00

SOYABEAN MEAL 100 tons; $/ton				
	Close	Previous	High/Low	
Jan	185.1	185.4	185.5	184.4
Mar	183.3	183.8	183.7	182.6
May	182.9	184.0	183.5	182.7
Jul	184.2	185.5	185.1	184.0
Aug	184.8	186.2	185.7	184.8
Sep	185.6	187.3	166.6	185.8
Oct	186.8	188.8	187.2	186.8
Dec	188.3	189 8	189.5	188.3

MAIZE 5,000 bu min; cents/56lb bushel				
	Close	Previous	High/Low	
Mar	218/4	218/4	218/6	218/0
May	226/0	226/0	226/2	225/4
Jul	232/2	232/0	232/4	231/4
Sep	237/2	236/6	237/2	236/2
Dec	241/4	241/2	241/4	240/6
Mar	248/2	248/2	248/2	247/2
May	253/0	252/6	253/0	252/4

WHEAT 5,000 bu min; cents/60lb-bushel				
	Close	Previous	High/Low	
Mar	369/4	371/0	372/6	369/0
May	348/2	349/2	350/0	348/6
Jul	321/2	322/4	323/2	321/0
Sep	325/6	327/4	326/0	325/6
Dec	336/0	336/4	337/4	335/0
Mar	337/0	337/0	337/0	336/4

LIVE CATTLE 40,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Feb	80.525	79.200	80.950	79.600
Apr	79.300	78.200	79.450	78.500
Jun	74.475	73.900	74.000	74.150
Aug	72.600	72.025	72.650	72.160
Oct	73.175	72.600	73.250	72.750
Dec	73.650	73.250	73.860	73.325
Feb	80.625	79.200	80.660	79.600

LIVE HOGS 40,000 lb; cents/lbs				
	Close	Previous	High/Low	
Feb	44.650	43.150	44.650	43.350
Apr	44.250	42.750	44.250	42.850
Jun	45.875	47.425	48.925	47.650
Jul	48.325	47.075	48.450	47.300
Aug	46.800	45.625	46.850	45.700
Oct	42.900	41.825	42.000	42.160
Dec	43.500	43.160	43.000	43.300
Feb	43.800	43.350	43.600	43.600
Apr	41.725	41.550	41.725	0

PORK BELLIES 40,000 lbs; cents/lb				
	Close	Previous	High/Low	
Feb	39.800	67.800	39.000	37.900
Mar	40.075	38.075	40.075	38.200
May	41.400	39.400	41.400	39.650
Jul	41.950	39.950	41.950	39.900
Aug	40.800	38.800	40.800	39.050

LONDON STOCK EXCHANGE

Heavy selling hits second-line stocks

By Steve Thompson

THE UK equity market fell heavily for the fifth successive trading session, dragged down by some exceptionally heavy selling of the Footsie future and a growing list of bearish economic and political factors at home and abroad.

The only glimmer of light during a gloomy trading session came with a better than expected opening by Wall Street which enabled London to edge from the day's lowest levels.

Nevertheless, the Footsie 100 index suffered another substantial setback, closing 25.8 off at 2,773.4, while second-line stocks, represented by the Footsie Mid-250, ran into a welter of selling which drove the latter down 42.8 to 2,889.0.

The market opened on a tentative note, with marketmakers looking for signs of a technical rally after the previous week's sell-off. Little buying developed, however, and share prices began to wilt in the face of steady selling. Pressure came from the gilt-edged market which reeled from talk that today might bring details of a £2.5bn gilts auction. Also, dealers were increasingly aware of persistent market stories of a growing list of rights issues in the pipeline.

The heat on the market was turned up a notch in mid-morning when a big seller of the Footsie future, rumoured to have been on behalf of an overseas fund, appeared in the derivatives market. The big player was thought to have sold upwards of 3,000 contracts, triggering waves of index arbitraging, or buying of the future and selling of stocks in the cash market.

The FT-SE 100, up 2.2 at its best, some 30 minutes after the opening, subsequently reversed to trade at the day's lowest point, 2,761.5, or 37.7 points down, just before the opening of Wall Street. The latter kicked off level and gradually edged higher, injecting a much-needed note of confidence into the London market which responded by rallying almost eights points by the close of trading.

There was less confidence in second-tier stocks where the Footsie Mid 250, which has outperformed the FT-SE 100 since its inception last October, ended the session a net 42.8 down at 2,889.9, having been down around 45 points at worst.

Consumer lending figures for November were viewed as slightly disappointing and bearish for a retailing sector still feeling the effects of poor quarterly sales figures announced last week by Boots. Yesterday saw a bear raid launched against retailer Alexon and poor performances from some of the UK's leading store groups, such as GUS, WH Smith and Dixons, the last-named due to release interim figures this morning.

Composite insurers were targeted as likely candidates to raise money via rights issues. Commercial Union was heavily sold, as was General Accident.

There was consolation for market operators in the continuing high levels of turnover in UK equities. Last week saw turnover comfortably above the £1bn level all week, reaching £1.49bn on Friday. Turnover yesterday picked up strongly after a rather sluggish start, eventually reaching 592.7m shares.

Some strategists still view the equity market as overvalued, pointing to a historically high price earnings ratio of around 17 times. But senior marketmakers continue to see the recent retreat by equities as a healthy correction.

TRADING VOLUME IN MAJOR STOCKS

Based on the trading volume for a selection of Alpha securities dealt through the SEAQ system yesterday until 4.30pm. Trades of one million or more are rounded down.

Cash call concerns hit CU

COMPOSITE insurer Commercial Union fell 16 to 618p on turnover of 2.8m shares amid renewed speculation that the company might be considering a rights issue.

Analysts said a cash call by Commercial Union was possible given its aim for growth in new business, the general pressure on margins and the recent all-time high of 644p. In 1992, CU announced £100m preference share placings. Both Kleinwort Benson and Credit Lyonnais Laing were reinforcing their view that the stock was overvalued. Kleinwort's insurance analyst said the shares were at an 8 per cent premium to the net asset value at the start of trading yesterday and he also cited weekend press comment on the possibility of impending rights issues.

Elsewhere in the sector, General Accident lost 16 at 558p and Sun Alliance fell 7 to 351p. Royal Insurance, which is particularly in need of extra cash, was 8 lower at 283p.

HSBC supported

A strong overnight performance by Hong Kong's Hang Seng index prompted HSBC Holdings to buck the dreary trend in London and the shares received further support from a recommendation by Robert Fleming Securities.

Fleming published a buy note arguing that the bank will produce profits of £1.6bn in 1992 and £2.2bn in 1993. It also announced a £131.8m warrant issue. HSBC ordinaries were 10 higher at one stage and closed 3 up at 519p. The Hong Kong registered added 1⅛ at 497¼p and combined turnover was 11m shares.

Institutions have taken additional heart from comments on Friday by Chinese leaders on the Sino-British row over Hong Kong's plans for political reform. Cable and Wireless, which is also heavily influenced by market activity in Hong Kong lifted a penny to 708p. However, Standard Chartered, one of the Footsie's best performers in recent months, fell 9 to 581p on profit-taking.

Alexon raided

Further evidence of the fragile state of the consumer recovery was shown with a bear raid on Alexon ahead of an expected cautious trading statement this week. Shares in the clothes retailer dived sharply as the market opened, losing around 20 per cent of their value before recovering. They closed at 82p, a fall of 17 on the day. The decline was at first blamed on a downgrade by Morgan Stanley, but the broker later denied this.

If the bears are to be believed, Alexon will join a growing list of retailers to report flat pre-Christmas sales – taking the shine from earlier talk that the much-heralded consumer recovery was gathering pace. Analysts said they expected Alexon to reveal no improvement at its Dash chain, where sales had been under pressure which resulted in downgrades last quarter.

Nervousness over the strength of the retail revival also undermined the stores sector. Ratners Group, which is due to announce the level of its Christmas sales shortly, ran into the bearish sentiment and the shares slipped 1½ to 11¾p on turnover of 18m. So too did Body Shop, off 10 at 164p.

The hangover from last week's trading statement from Boots, in which the retailer revealed poor sales at its Do It All subsidiary, continued. Analysts reported that the DIY group's owners – Boots and W.H. Smith – were hinting that losses this year could reach £30m, double most market estimates. This comes on top of reports that the two groups will need to invest a further £15m into Do It All to fund a new distribution centre. Boots shares fell 10 to 500p and WH Smith 'A' 13 to 456p.

A number of brokers advised profit-taking in Dixons, whose shares have surged in post-Christmas trading on reports of strong computer games sales and buoyant US electronics demand. However, neither of these factors satisfied BZW which says that Dixons' US subsidiary Silo is still in difficulties and that the impact of sterling devaluation has still to be felt. Nomura was also negative, arguing that the shares had run too far. Yesterday, they fell 12 to 262p.

Conglomerate Hanson held steady among weak internationally traded stocks on reports that it had swapped its US gold mining operations for the coal business of railroads and minerals group Santa Fe Pacific. If it proceeds, the swap would make Hanson the world's second largest privately held coal producer, while placing Santa Fe among the top 10 US gold producers. The stock also received some support ahead of a presentation to analysts in New York yesterday. The shares shed 1¼ to 236p.

Profit forecast upgrades for BAT Industries by Hoare Govett failed to counter the impact of a weaker dollar and the shares fell 12 to 968p. Hoare has raised its figures for the year to March 10 by £60m to £1630m and that for the following year by £35m to £2175. The house is basing its reassessment on a better than expected output from the tobacco side and a faster turnaround for Eagle Star.

Among other dollar stocks, Reuters Holdings fell 14 to 1388p in spite of announcing the launch of a new real time service for global money and capital markets.

Shell Transport dropped 10 to 533p after a good run as investors switched into Royal Dutch.

Glaxo and SmithKline Beecham stood out in a weak market as investors took advantage of last week's price decline among big pharmaceutical companies. A one per cent rise in Merck in New York also helped the shares. Salomon Brothers was heavily on the bid again. Glaxo rose 8 to 740p and SmithKline a penny to 489p in the A's and 3 to 412p in the Units.

Wellcome was 9 lower at 925p, however, following weekend press reports surrounding its two leading drugs. AAH lost 18 at 597p after a recent run. Broker Hoare Govett, although still a buyer of the shares, shaved its forecasts.

The decision by Associated British Foods not to proceed with the purchase of a US sugar processing group disappointed some in the market and the shares fell 8 to 505p. Strong second line stocks from last week ran into profit-taking.

Among these, Booker fell 12 to 415p, Unigate 10 to 320p and Hillsdown, which is hosting a series of institutional meetings this week, 10 to 134p.

Iceland Frozen Foods lost 13½ to 651p. Kleinwort Benson was said to have moved from a buy to a hold position.

Rights issue talk again stalked Stakis and the hotel and casino group lost 3 to 41p.

Profit-taking hit the engineering sector, which has outperformed the market by around 15 per cent over the past month. Siebe gave up 21 at 430p, further affected by vague talk of a rights issue while IMI fell 12 to 266p. Vickers lost 8 to 114p, Simon Engineering 9 to 110p and Meggitt 5 to 92p.

Reports of a US investigation into a subsidiary hurt TI Group and the shares gave up 10 to 286p. However, Mr Paul Compton at Credit Lyonnais said: "Given that the contract under investigation is only worth £1m, I think the fall has been overdone."

Smiths Industries eased 4 to 376p, with BZW shifting its recommendation from buy to hold. However, the house stressed it was a long-term supporter of the stock.

Although Tomkins reported a 7.6 per cent improvement in interim figures to £47.1m, the meeting with analysts disappointed and the shares retreated 11 to 346p, in trade of 3.6m. Trafalgar House gave up 2 to 87p, after the chairman told the annual meeting he foresaw no upturn in 1993.

Profit-taking and switching sent BICC down 8 to 334p. Dealers reported switching into Delta, steady at 435p.

A downgrading in Rugby took the shine off the building materials sector. The shares retreated 15 to 219p and pulled down Blue Circle, off 9 at 196p, in its wake.

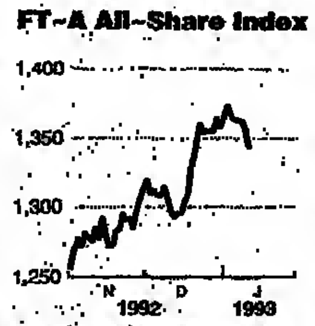
USM-listed aromatic oils company Treatt jumped 10 to 118p on healthy annual profits.

Chemicals group Laporte rebounded 4 to 587p following its bid for Evode, a penny firmer at 120p, as a buy note from Williams de Broe landed on clients desks.

MARKET REPORTERS: Christopher Price, Joel Kibazo, Peter John.

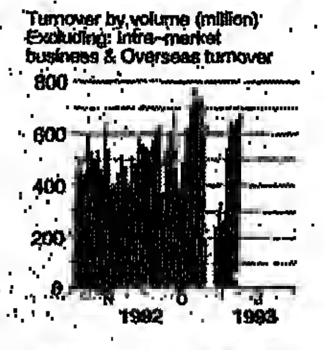
■ Other market statistics, Page 21

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million). Excluding: intra-market business & Overseas turnover



NEW HIGHS AND LOWS FOR 1992/93

NEW HIGHS (117). ... IMDLS (2) Morgan Crucible 7¼pc Pf., Whishaw, PACKG, PAPER & PRINTG (4) Boxmore, Britton, Filofax, Portals, PROP (2) Bradford, Helical Bar 8¼pc Pf. '12, STORES (6) Betterware, Courts, Hughes (T.J), Kleen-E-Ze, Next, OS, TEXTS (1) Celestion, TRANSPORT (2) Mersey Docks, Tibbett & Britten, WATER (1) East Surrey, MINES (2) Monarch Res., Mount Burgess.

NEW LOWS (15). CONGLOMERATES (1) Jourdan (T), CONTG & CONSTRCN (1) Melville, ENG GEN (1) Wilkes (J), HEALTH & HSEHOLD (1) Nestor-BNA, INSCE COMPOSITE (1) Baltica, INV TRUSTS (4) Archimedes Inc., Fulcrum Inc., Spanish Smllr. Co's, TR European Gwth. Pfg. Subs, OIL & GAS (1) Ranger, PROP (2) Herring Baker Harris, Power Corp., STORES (1) Alexon, TEXTS (1) Cupid, MINES (1) Northam Platinum.

FINANCIAL TIMES EQUITY INDICES

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2174.5	2173.2	2169.0	2160.6	2149.6	2146.8	2143.6	2147.5	2149.4	2175.3	2139.9

Volume	Jan 11	Jan 8	Jan 7	Jan 6	Jan 5	Year ago
SEAQ Bargains	31,105	31,825	31,524	31,153	34,438	26,528
Equity Turnover(£m)†	-	1492.3	1369.4	1332.8	1419.9	781.0
Equity Bargains†	-	35,479	35,377	36,171	39,054	26,303
Shares traded (mil)†	-	680.2	660.6	631.7	649.3	381.2

† Excluding intra-market business and overseas turnover.

London report and latest Share Index
Tel. 0891 123001. Calls charged at 36p/minute cheap rate, 48p at all other times.

FT-SE Actuaries Share Indices — THE UK SERIES

FT-SE 100	FT-SE MID 250	FT-A ALL-SHARE
2773.4 −25.8	2889.9 −42.8	1342.90 −13.45

Hourly movements

FT-SE Actuaries 350 Industry Baskets

LONDON SHARE SERVICE

BRITISH FUNDS

OTHER FIXED INTEREST

Continued on next page

EQUITY FUTURES AND OPTIONS TRADING

SPECULATION about a large gilts auction, along with political and economic worries led to strong selling in the derivatives causing heavy turnover, writes Joel Kibazo.

The March futures contract on the FT-SE opened at 2,822, but for a brief few minutes of buying at the beginning of the session, it fell on selling by independent traders. A sell order for around 3,000 contracts executed by a leading independent firm, together with further mid-morning selling by a US house as talk on the gilts auction surfaced, led to more weakness in March. It reached the session's low of 2,780 just before the opening of Wall Street.

The firm start in New York helped the March contract briefly regain some of the earlier losses before another bout of selling led to another retreat.

March closed at 2,795, down 28 on Friday's close and around 8 points above its estimated fair value premium to cash of around 14. Turnover was heavy reaching 12,210 by the close.

In traded options, busy trading in the index options led to total volume of 34,506 lots. The FT-SE 100 option saw business of 15,322 lots against Friday's figure of 8,073, while 4,509 contracts were dealt in the Euro FT-SE option. Asda was the busiest stock option with a day's total of 2,257 lots and was followed by British Steel at 2,140 contracts. Shell traded 705 contracts.

LONDON SHARE SERVICE

AMERICANS

	Notes	Price £	+ or -	1992/93 high	low	Mkt Cap£m	Yld Gr's
Abbott Labs	h	16⅝xd	+⅛	21¼	14⅝	15,557	2.0
Allegheny & W.	♥	423p	—	454p	228p	219.8	4.5
Amdahl		446p	-2	1159p	438p	509.9	1.4
Amer Cyanamid		38⅛	-⅝	38⅝	28⅝	3,258	2.9
Amer Express		16¼xd	-⅛	16⅞	10⅞	1,706	3.9
Amer T & T		33½xd	-⅜	34½	20⅝	44,385	2.5
Ameritech		46¼	-⅜	47½	32½	20,259	5.0
BankAmerica		28⅞xd	-⅜	31⅛	19⅛	8,765	2.9
Bankers NY		43⅜xd	-⅜	46⅛	28⅜	3,476	4.5
Bell Atlantic		32¼	-1	34⅝	23⅛	13,823	5.1
BellSouth		33⅞	-½	35⅜	25	16,659	5.2
Bethlehem Steel	♥	10½xd	-⅛	10⅝	5¾	849.8	—
Bowater		1402pxd	-46	1637p	905p	540.6	5.1
CPC	h	30⅝xd	-⅛	34	22⅛	4,600	2.5
Cadiz Land Inc	♥	113p	—	342p	108p	—	—
California Engy		1090p	—	1096p	591p	198.5	—
Chase Manhattan		18xd	-⅛	19½	9⅛	2,887	4.2
Chrysler		23¼xd	+⅛	23⅝	6¼	6,806	1.6
Citicorp		18⅞xd	-⅛	14⅞	5⅞	4,887	—
Colgate-Palm		35¼xd	-⅝	43⅛	25¼	5,610	2.2
Cont'l Bank		1327p	+43	1444p	489p	1,334	6.8
Dana		30⅞xd	-1	31⅞	14⅞	1,416	3.3
Data General		770p	-3	1094p	384p	212.5	—
Decorn Inds	♥	149p	—	149p	68p	—	—
Dun & Brad		37⅝	-⅝	38⅝	27⅝	6,713	6.8
Eaton		52⅝	+½	54½	32½	1,817	2.6
Echlin		15⅞xd	-⅛	16⅝	7⅞	684.8	6.8
FPL		23⅞xd	-⅛	24⅞	17⅞	4,258	8.7
Ford Motor		[illegible]	[illegible]	[illegible]	15	14,199	2.2

CANADIANS

BANKS

BREWERS & DISTILLERS

BUILDING MATERIALS

BUILDING MATERIALS - Cont.

BUSINESS SERVICES

CHEMICALS

CONGLOMERATES

CONTRACTING & CONSTRUCTION

CONTRACTING & CONSTRUCTION - Cont.

ELECTRICALS

ELECTRICITY

ELECTRONICS

ENGINEERING-AEROSPACE

ENGINEERING-GENERAL

ENGINEERING-GENERAL - Cont.

FOOD MANUFACTURING

FOOD RETAILING

HEALTH & HOUSEHOLD

HOTELS & LEISURE

HOTELS & LEISURE - Cont.

INSURANCE BROKERS

INSURANCE COMPOSITE

INSURANCE LIFE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

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LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

Net asset values supplied by NatWest Securities Limited as a guide only. See guide to London Share Service.

INVESTMENT COMPANIES

Net asset values supplied by NatWest Securities Limited as a guide only. See guide to London Share Service.

MEDIA

MERCHANT BANKS

METALS & METAL FORMING

MISCELLANEOUS

MOTORS

OIL & GAS

OIL & GAS - Cont.

OTHER FINANCIAL

OTHER INDUSTRIALS

PACKAGING, PAPER & PRINTING

PACKAGING, PAPER & PRINTING - Cont.

PROPERTY

STORES

TELEPHONE NETWORKS

TEXTILES

TRANSPORT

WATER

SOUTH AFRICANS

PLANTATIONS

MINES

MINES - Cont.

	Notes	Price	+ or -	1992/93 high	low	Mkt Cap£m	Yld Gr's
Glencar Expl I£	‡‡	8	—	76	8	1.49	-
Greenwich Res	□	5¼	—	17	2	3.88	-
Hemlo Gold C$		23¾	—	£5⅝	23¾	361.5	2.7
Ivernia West I£	‡‡□	36	—	58	30	18.1	-
Kalis Minls I£	‡‡	8	—	42	8	0.19	-
Kenmare	□	7¼	-¼	9	2¼	0.96	-
Malinga Res.		19	-2	48	8	2.16	-
Nawan Res I£	‡‡	28	—	34	15	3.48	-
5pc Ln Notes		28	—	28	25	47.1	-
Oryx Gold		47¾	—	193	46¾	–	-
Plateau		3½	—	13	3	1.37	-
RTZ	□	698	-5	698	469	6,700	3.9
Vizcaya		3	—	3	1	1.61	-

GUIDE TO LONDON SHARE SERVICE

Company classifications are based on those used for the FT-Actuaries Indices and FT-Actuaries World Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid- prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current pre-closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- □ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ).
- ● "Tap Stock"
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ◆ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ Free annual/interim report available, see details below.
- ♣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Not officially UK listed; dealings permitted under Rule 535(2)
- ‖ Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue.
- ◆ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Yield based on annualised dividend. b Figures based on prospectus or other official estimates. c Cents. f Flat yield. g Assumed dividend yield after rights issue. h Assumed dividend yield after scrip issue. r Rights issue pending. q Earnings based on preliminary figures. s Dividend yield excludes a special payment. t Indicated dividend yield, p/e ratio based on latest annual earnings. u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings. v Not subject to ACT. x Dividend yield includes a special payment. E Auction basis. F Yield based on prospectus or other official estimates for 1994-95. G Assumed yield after pending scrip and/or rights issue. H Yield based on prospectus or other official estimates for 1993. K Yield based on prospectus or other official estimates for 1992-93. L Estimated annualised yield, p/e based on latest annual earnings. M Yield based on prospectus or other official estimates for 1993-94. N Yield based on prospectus or other official estimates for 1992. P Figures based on prospectus or other official estimates for 1994. R Forecast annualised yield, p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend yield to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xi ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1275 a year for each security shown, subject to the Editor's discretion

FT MANAGED FUNDS SERVICE

• Current Unit Trust prices are available from FT Cityline. For further details call (071) 925 2128.

AUTHORISED UNIT TRUSTS

[illegible]

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♦) - 1101 to 1400 hours; (♣) - 1401 to 1700 hours; (♠) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH. Tel: 071 – 379 – 0444.

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FT MANAGED FUNDS SERVICE

• Current Unit Trust prices are available from FT Cityline. For further details call (071) 925 2128.

OTHER UK UNIT TRUSTS

INSURANCES

Continued on next page

FT MANAGED FUNDS SERVICE

● Current Unit Trust prices are available from FT Cityline. For further details call (071) 925 2128.

Prolific Life & Pensions Ltd
Stramongate, Kendall, Cumbria LA9 4UO 0539 733733
Managed Fund see Balanced Growth Managed Fund

	Bid Price	Offer Price	+ or –	Yield Gross
Life Funds				
Balanced Gwth Mngd	646.9	688.2	–7.4	–
Adventurous Mngd	154.3	164.2	–1.8	–
Cautious Mngd.	123.0	130.9	–0.5	–
Cash Fd.	316.1	333.1	....	–
Property Fund.	216.1	229.9	....	–
Equity Fund	730.1	776.8	–8.6	–
Fxd Int. Fund	403.4	425.1	+3.3	–
International	321.9	342.5	–0.9	–
High Income	584.7	622.1	–7.2	–
Far East	421.4	448.3	–5.6	–
North American	431.6	459.2	–8.4	–
Special Sits.	539.8	574.3	–4.5	–
Technology	445.3	473.8	–6.6	–
Extra Inc Fd.	317.0	337.3	–4.9	–
Convertible & Gilt Fd	151.8	161.5	–1.0	–
American Income	172.6	183.7	–2.6	–
Gilt Fund 20	437.2	465.2	+0.5	–
European Fund	113.8	121.1	–0.8	–
Pref & Fixed Int.	110.4	117.3	+0.1	–
UK Blue Chip	116.7	123.0	–0.9	–
Recovery Fund	113.2	119.3	–0.4	–
Equity Income Dist.	104.1	110.6	–0.9	5.03
Managed Dist.	99.2	105.6	–0.7	5.68
High Yield Dist.	101.3	107.0	–0.1	8.62
Pension Funds				
Balncd Gth Mgd Pen Acc.	750.1	789.6	–5.3	–
Adventurous Mgd Pen Acc.	161.5	178.1	–2.2	–
Cautious Mngd Pens Acc.	141.7	149.2	–0.8	–
Building Soc. Acc.	364.5	383.5	....	–
Property Pens. Acc.	294.2	309.7	–	–
Fix Int. Pens. Acc.	634.7	668.2	+4.7	–
Equity Pens. Acc.	939.0	988.5	–10.4	–
International Pens Acc.	297.0	312.7	–4.2	–
High Inc Pens Acc.	652.2	686.6	–4.4	–
Tech Pens Acc.	312.8	329.3	–6.6	–
N American Pens Acc.	328.6	345.9	–7.0	–
Far Eastern Pens Acc.	422.9	445.2	–4.7	–
Spec(z) Sits Pens Acc.	443.5	466.7	–1.8	–
Extra Income Pens Fd	387.8	408.3	–4.5	–
Convertible & Gilt Pen.	185.2	195.0	–3.6	–
American Inc Pens	196.3	206.7	–1.2	–
European Pens	125.N	132.5	–1.2	–
Managed Cash Pens	171.4	180.5	....	–
Pref & Fixed Pens	128.3	135.1	–0.1	–
UK Blue Chip	123.7	130.5	–1.1	–
Recovery Fund	121.0	127.4	–0.5	–
Unitised With Profits Pens	107.9	113.6	....	–
Other Funds				
Margett Growth	117.5	123.5	+0.5	–

Reliance Mutual

J Rothschild Assurance PLC

Prosperity Life Assurance Ltd

Providence Capital Life Assc. Co Ltd

Provident Life Assoc Ltd

Provident Mutual Life Assc. Assn

Prudential Assurance Co

Prudential Corporate Pension Funds

Prudential Individual Life Funds

Prudential Individual Pension Funds

Royal Heritage Life Assurance Ltd

Royal Life Insurance Ltd

Royal Liver Assurance

Save & Prosper Group

Scottish Amicable

Scottish Equitable Life Assce. Soc.

Scottish Life Investments

Scottish Mutual Assurance plc

Scottish Provident Institution

Scottish Widows' Group

Shield Assurance Ltd

Skandia Life Assurance Co Ltd

Standard Life Assurance Company

Sun Alliance Group

Sun Alliance Group—Contd.

Sun Life Unit Assurance Ltd

Swiss Life (UK) PLC

TSB Life Ltd

Target Life Assurance Co Ltd

Teachers' Assurance Company Ltd

Templeton Life Assurance Limited

Tunbridge Wells Equitable

Wesleyan Assurance Society

Windsor Life Assur Co Ltd

Woolwich Life Assurance Co Ltd

Zurich Life Assurance Co Ltd

OFFSHORE INSURANCES

AXA Equity & Law Intl Life Assce Co

AEtna Intl Assurance (Bermuda) Ltd

Albany International Assurance Ltd

CMI Insurance Co Ltd

Eagle Star Intl Life

Equitable Life (International)

Finanza International Ltd

Hafnia Prolific International

Hansard International Ltd

Isle of Man Assurance Ltd

NEL Britannia International Ltd

PanEuroLife societe anonyme

Providence Capital International Ltd

Royal Life Intl. Ltd

Royal Skandia Life Assurance Ltd

Sun Alliance International Life

Target International Group

MANAGEMENT SERVICES

Bain Clarkson Asset Management

C F S Financial Management

Capital Trust Financial Management

Chase de Vere PLC

EBS Capital Management Plc

Fairmount Financial Services Ltd

Foster & Braithwaite Ltd

Hurstmeister Financial Services (Pty) Ltd

IFS Capital Management PLC

Independent Financial Group PLC

Johnson Fry Asset Managers Plc

Knight Williams & Company Ltd

Euroinfe Assurance Group

Macartney & Dowie Invest Mngt Plc

Northam Binge & Partners

Prudential Trust Financial Services Ltd

Rushbrook Financial Management Ltd

Charles Stanley & Co Ltd

J. D. Ward Financial Services Ltd

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

Fidelity Money Funds

Lloyd George Management

Newport Investment Management

Orion Fund Limited

CANADA (SIB RECOGNISED)

GBC Asset Management

GUERNSEY (SIB RECOGNISED)

AIB Govett Inv Managers (Guernsey) Ltd

Barings Intl Fd Managers (Guernsey) Ltd

Butterfield Fund Mngrs (Guernsey) Ltd

Equitable International Fund Managers Ltd

Guinness Flight Fd Mngrs (Guernsey) Ltd

Hambros Fd Mngrs (CI) Ltd

Kleinwort Benson Intl Fd Mngrs Ltd

Lazard Fund Managers (Channel Islands) Ltd

Lion World Fixed Income Fund

Lloyds Intl Money Market Fund Ltd

M & G (Guernsey) Ltd

Prudential Fund Managers (Guernsey) Ltd

Rothschild Asset Management (CI) Ltd

Royal Bank of Canada Offshore Fd Mgrs Ltd

Sarasin Funds Mngmt (Guernsey) Ltd

Schroder Investment Mngt (Guernsey) Ltd

GUERNSEY (REGULATED)

ANZ Mngmt Co (Guernsey) Ltd

Adams & Neville Fund Mngmt (Guernsey) Ltd

Arab Bank Fund Managers (Guernsey) Ltd

Bankers Global Investment Fund Ltd

Credit Suisse Asset Mngmt (Guernsey) Ltd

Gartmore Fund Managers (CI) Ltd

Hambros Fund Managers (CI) Ltd

Hasleville Fund Managers (Guernsey) Ltd

Henderson Admin. (Guernsey) Ltd

Investment Fund Mgmt Ltd

Kleinwort Benson Intl Fd Mngrs Ltd

Lazard Fund Managers (CI) Ltd

Merrill Lynch Guernsey

Nikko Capital Mngt (Europe) Ltd

Quilter International Management

Rothschild Asset Mngmt (CI) Ltd

Saxon International (Guernsey) Ltd

Schroder Investment Mngmt (Guernsey) Ltd

Yamaichi Capital Management (Guernsey) Ltd

IRELAND (SIB RECOGNISED)

Federated International Funds Plc

GAM Fund Managers Ltd

GT Asset Management (Ireland) Ltd

Hafnia Prolific International Fund

Morgan Grenfell Investment Funds Ltd

Swiss Life Investment Fund (a)

IRELAND (REGULATED)

Bank of Ireland Unit Managers Ltd

Barings International Fd Mngrs (Ireland) Ltd

Baring Intl Fund Mgrs (Ireland) Ltd

Morgan Grenfell Fund Mngrs (Ireland) Ltd

Paine Webber Offshore Funds Plc

ISLE OF MAN (SIB RECOGNISED)

AXA Equity & Law Intl Fund Mngrs

Allied Dunbar Intl Fund Mngrs (1600)

CMI Fund Managers (IoM) Ltd

Gartmore Fund Managers (IoM) Ltd

Lloyds Joseph Fund Mngrs (IoM) Ltd

Mercury Fund Managers (IoM) Ltd

Sun Life International Fund Ltd

ISLE OF MAN (REGULATED)

ATC Fund Management (IoM) Ltd

AXA Equity & Law Intl Fund Mngrs

Appleton Financial Advisers Ltd

City Financial Admin (IoM) Ltd

Duncan Lawrie IoM Mgt Ltd

Gartmore Fund Managers (IoM) Ltd

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FT MANAGED FUNDS SERVICE

• Current Unit Trust prices are available from FT Cityline. For further details call (071) 925 2128.

	Bid Price	Offer Price	+ or -	Yield Gross
John Govett Management (IoM) Ltd				
Dllr Geared Curr NAV Jan 8		$17.38		-
Paragon Plus Red Jan 4		£9.99		-
Paragon Stlg Red Jan 4		111.33		-
SE Asian Wrt NAV Jan 7		$9.51		-
Govett Mngd Ftrs Jan 8	£14.35	13.78		-
Govett Mngd Ftrs Jan 8	$10.15	11.11		-
Max Horizons Inv Jan 7		$15.87		-
Max Horizons Inv Wts Jan 1		$8.00		-
Dllr Geared Bd Jan 8		57.30		-
IBI Global Funds Limited				
Intl Stlg Gwth	£20.86	21.97		-
Intl $US Gwth	$17.83	18.78		-
High Income Gilt	£26.06	27.02		-
International Equity	£21.11	22.23		-
International Bond	£22.65	23.48		-
Managed Currency	£27.63	27.92		-
Sterling Currency	£26.60	26.88		-
US$ Currency	$37.80	38.19		-
Irish £ Currency	I£15.35	15.52		-
R & R Fund Managers Ltd				
LFM Sterling Fd	£11.05	11.52		-
D.F Offshore Inc Fd Ltd	£11.75	12.25		-
Target International (Isle of Man) Ltd				
IMC Offshore Fd	£9.48	10.27		-
Nelson Million W/W S/S	£9.73	10.03		-

	Bid Price	Offer Price	+ or -	Yield Gross
Lloyds Bank Trust Co (CI) Mngrs				
Lloydstrust World Inv Port.	£2.470	2.5941		1.32
Dealing Weekly on Thursday				
Management International (Jersey) Ltd				
Anchor Gilt Edge Ltd	£9.74	9.78	-0.01	9.61
Minerals, Oils Res. Shrs. Fd. Inc.				
Mores Jan 7.	$13.44	13.72		2.92
Nat. Westminster Jersey Fd. Mgrs. Ltd				
Sterling Income	53.7	56.0		8.03
UK Equity Fd	225.8	240.0		2.67
*Intl Bond Fd	97.0	100.0		7.07
*Sterling Mngd Asset Fd.	568.7	589.0		5.00
*Sub. day every Thurs				
NatWest TrustCor Currency Fund				
Dollar Class		$38.2532	+0.0027	-
Sterling Class		£27.0583	-0.0046	-
D-Mark Class		DM84.0790	+0.0198	-
Japanese Yen Class		Y7978.1716	+0.6290	-
Ashburton Replica Portfolio Ltd				
Ashburton Replica F Plus Ltd I	11.23	11.69		-
Ashburton Replica F Plus Ltd $	$10.25	10.65		-
Northgate Unit Tst. Mngr. (Jersey) Ltd				
Pacific Fund Jan 7	$33.72	35.07		-
Perpetual UT Mngrs (Jersey) Ltd				
Offshore Intl Gwth Fd	$3.8181	4.0575		-
Offshore Japanese Gwth Fd	$0.9007	0.9572		-
Offshore Am Gwth Fd.	$6.5710	6.9830		-
Offshore Emerging Co.	$3.9514	4.1992		-
Offshore European Fd.	$1.4740	1.5665		-
Offshore Global Bond	$0.9503	0.9899		-
Offshore Global Bond Acc.	$0.9503	0.9899		-
Offshore Far Esrn Fd.	$2.2240	2.3635		-
Offshore Ltd Growth Fd	$2.0145	2.1408		-
The Portugal Fund Limited				
Lloyds Bank Trust Company (Channel Islands) Ltd				
NAV Dec 31		34.16		-

JERSEY (SIB RECOGNISED)

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
AIB Fund Managers (CI) Ltd						
PO Box 468 St Helier Jersey						0534 36433
AIB Currency Funds Ltd						
Intl Managed Bond	5		I£-21.1859	21.2023		-
Managed Capital Bd	5		I£-21.4059	21.4391		-
AIB Biverfund Currency Fund Limited						

[illegible]

	Bid Price	Offer Price	+ or -	Yield Gross
Capital Protection	C$12.47	13.11	+0.02	4.08
Eurobond (2-1)	$13.18	13.84		4.68
Money (z) (2-1)	$12.98	13.64		2.04
Mortgage (z)	C$18.91	19.87	-0.01	9.78
North American (3-1)	$12.19	12.81	-0.04	-
Overseas (3-1)	$13.32	13.99	+0.04	-
Tiger (3-1)	$12.60	13.24	-0.10	-
The Vietnam Fund Limited				
Lloyds Bank Fund Managers (Guernsey) Ltd				
NAV Dec 31		99.96		-
Wardley Investment Services Ltd				
Wardley S.E. Asia Tst.	$16.03	16.92	+0.07	0.08
Japanese Warrants	$1.55	1.66	+0.03	-
Asian Warrants	$9.60	10.17	+0.08	-
European Warrants	14.85	5.14	-0.11	-
Managed	HK$10.72	11.35	+0.04	-
Private Capital Tst.		$19.95	+0.10	-
China Fund		$9.99		-
Wellington Fd Mngrs (Bermuda) Ltd				
Intl Growth Fd	$12.75	13.38		-
Wells Fargo U.S. IT Fund				
Wells Fargo A Shs (z)		$11.72	-0.02	-
Wells Fargo B Shs (z)		$11.49	-0.04	-
Worldwide Limited				
NAV Nov 30		$90.04		-
Xiphias International Investment Fd Ltd				
Xiphias Int US$ Acc.		$1.1505		-
Xiphias Int ECU Acc		Ecu1.1439		-
Xiphias Int ECU Dis		Ecu1.0318		-
Yamaichi Capital Mngmt (Guernsey) Ltd				
Thai Inv Fund		$12.69		-

MANAGED FUNDS NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix refer to U.S. dollars. Yields % allow for all buying expenses. Prices of certain older insurance linked plans subject to capital gains tax on sales. h Distribution free of UK taxes. e Periodic premium insurance plans. s Single premium insurance. n Designated in Luxembourg as a UCITS (Undertakings for Collective Investment in Transferable Securities). a Offered price includes all expenses except agent's commission. e Previous day's price. M Guernsey gross. s Suspended. φ Yield before Jersey tax. † Ex-subdivision. ‡ Only available to charitable bodies. ◊ Yield column shows annualised rates of NAV increase. xd ex dividend.

(**) Funds not SIB recognised. The regulatory authorities for these funds are: Guernsey: Financial Services Commission; Ireland: Central Bank of Ireland; Isle of Man: Financial Supervision Commission; Jersey: Financial Services Department; Luxembourg: Institut Monétaire Luxembourgeois.

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Punt returns to ERM bands

THE DOLLAR was more than a pfennig weaker against the D-Mark during European trading yesterday as currency dealers continued to respond to last Friday'a diaappointing employment report in the US, *writes James Blitz.*

The US currency's weakness yesterday was not the product of D-Mark strength. The German currency was virtually unmoved against tha French franc in quiet markets.

Indeed, the Irish punt, which is still seen hy some dealers as a devaluation candidate, enjoyed aome atrength in Europe's Exchange Rate Mechanism against the D-Mark bloc of currencies.

Instead, last Friday's non-farm payroll report, which rose hy 64,000 in Decemher when the market had been expecting a 100,000 rise, continued to cast a shadow over the dollar.

The market is more confident ahout the prospects for economic recovery in the US. Bnt tha dollar has risen hy around 10 pfenniga since December 18th, when it was at around DM1.55, and such a rise needs to be accompanied hy very strong data if it is to be sustained.

"A period of profit-taking after such a rise was inevitahle," said Mr Steve Hannah, head of research at IBJ International in London.

The dollar cloaad at DM1.6305 against the D-Mark, from a pravious close of DM1.6375.

In Europe, tha main focus continued to be on the Irish punt, which traded below its ERM floors against two currencies last week. For most of yesterday, the Irish currency was hack inside its ERM hands against the Belgian franc and Dutch guilder.

Having avolded a devaluation at tha weekend, as many had feared, the currency enjoyed some renewed confidence. Any speculator borrowing punts overnight at the current rate of 100 per cent must hope for an imminent devaluation if a profit is to be made.

The punt appreciated to about BFr54.30 to the Belgian franc and NLG2.9595 to the Dutch guilder towards the end of European trading. Rates for lending overnight money softened a little from the heights of 100 per cent seen last Friday.

Attention was also focused on the Italian lira which continued to appreciate strongly against most other currencies. At one point yesterday, it was trading at L907 to the D-Mark, some 4.8 per cent higher than its level of L950 last Tuesday.

The Italian government's DM4hn bond issue had a good response, as did statements that the lira could re-enter the ERM this year.

Mr Avinash Persaud, a currency economist at UBS Phillips and Drew, pointed out that the net yield on Italian bonds is currently running at 13¼ per cent. "The high yields on Italian paper go aome way to explaining this recent appreciation in the currency," he said.

The French franc enjoyed another quiet day against the D-Mark, closing at FFr3.400 to the D-Mark from a previous close of FFr3.402.

£ IN NEW YORK

Jan.11	Latest	Previous Close
£ Spot	1.5530-1.5540	1.5310 1.5320
1 month	0.59-0.58pm	0.54 0.52pm
3 months	1.47-1.44pm	1.46 1.43pm
12 months	4.15-4.05pm	3.95 3.85pm

Forward premiums and discounts apply to the US dollar

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu Central Rates	Currency Amounts Against Ecu Jan 11	% Change from Central Rate	% Spread vs Weakest Currency	Divergence Indicator
Portuguese Escudo	182.194	176.031	−3.38	4.75	52
Spanish Peseta	143.386	139.496	−2.71	4.03	43
Dutch Guilder	2.21958	2.20637	−0.60	1.82	31
Belgian Franc	40.6304	40.4079	−0.55	1.77	28
D-Mark	1.96992	1.96309	−0.35	1.56	24
French Franc	6.60683	6.67465	1.03	0.18	−55
Irish Punt	0.735334	0.743438	1.10	0.11	−48
Danish Krone	7.51410	7.60499	1.21	0.00	−54

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
(17/9) Sterling and Italian Lira suspended from ERM. Adjustment calculated by Financial Times.

POUND SPOT - FORWARD AGAINST THE POUND

Jan 11	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.5425 - 1.5570	1.5530 - 1.5540	0.58-0.56cpm	4.40	1.44-1.41pm	3.67
Canada	1.9615 - 1.9860	1.9830 - 1.9840	0.06-0.03cpm	0.33	0.13-0.02pm	0.15
Netherlands	2.8350 - 2.8525	2.8400 - 2.8500	¼-¾cdis	−1.32	½-⅛dis	−0.88
Belgium	51.90 - 52.15	52.05 - 52.15	2-6cdis	−0.92	11-17dis	−1.07
Denmark	9.7575 - 9.8400	9.7900 - 9.8000	4⅛-9oredis	−8.42	13½-19⅛dis	−6.79
Ireland	0.9565 - 0.9610	0.9575 - 0.9585	3.35-6.45pdis	−61.38	3.55-6.30dis	−20.56
Germany	2.5225 - 2.5350	2.5300 - 2.5350	¼-⅜pfdis	−1.48	⅜-⅜dis	−1.28
Portugal	226.25 - 227.75	226.90 - 227.50	115-163cdis	−7.35	372-492dis	−7.61
Spain	178.85 - 180.35	179.65 - 179.95	136-153cdis	−9.64	349-377dis	−8.08
Italy	2293.25 - 2322.50	2298.00 - 2299.00	11-13lireidis	−6.26	31-34dis	−5.66
Norway	10.5275 - 10.8425	10.8300 - 10.8400	2⅝-3⅛oredis	−3.53	8¾-9⅝dis	−3.35
France	8.5825 - 8.6150	8.6050 - 8.6150	3⅝-4⅛cdis	−5.40	9⅛-10⅛dis	−4.65
Sweden	10.9325 - 11.4775	11.4125 - 11.4225	2⅞-3⅞oredis	−3.56	7⅝-8⅝dis	−2.89
Japan	193.25 - 194.75	193.75 - 194.75	¼-1½ydis	−6.95	1¼-1½pm	3.35
Austria	17.76 - 17.87	17.80 - 17.83	1⅛-2⅛grodis	−1.52	4¼-6⅛dis	−1.28
Switzerland	2.3000 - 2.3225	2.3100 - 2.3200	⅜-⅛pm	1.62	⅞-⅝pm	1.30
Ecu	1.2840 - 1.2925	1.2850 - 1.2860	0.32-0.37cdis	−3.22	0.91-1.01dis	−2.99

Commercial rates taken towards the end of London trading. Six-month forward dollar 2.52-2.47pm, 12 Month 3.94-3.84pm

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

Jan 11	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.5425 - 1.5570	1.5530 - 1.5540	0.58-0.56cpm	4.40	1.44-1.41pm	3.67
Ireland†	1.6075 - 1.6250	1.6220 - 1.6230	9.00-4.50cpm	49.92	12.00-6.00pm	22.19
Canada	1.2720 - 1.2800	1.2750 - 1.2760	0.38-0.45cdis	−3.90	1.05-1.20dis	−3.53
Netherlands	1.8250 - 1.8400	1.8315 - 1.8325	0.87-0.91cdis	−5.83	2.11-2.16dis	−4.66
Belgium	33.45 - 33.65	33.50 - 33.60	15.50-16.50cdis	−5.72	38.00-41.00dis	−4.71
Denmark	6.2850 - 6.3350	6.3025 - 6.3075	5.50-8.50oredis	−13.32	17.00-20.00dis	−11.74
Germany	1.6245 - 1.6370	1.6300 - 1.6310	0.83-0.84pfdis	−6.15	2.04-2.06dis	−5.03
Portugal	145.50 - 147.00	145.80 - 145.90	154-159cdis	−12.88	403-418dis	−11.26
Spain	115.50 - 116.30	115.65 - 115.75	135-136cdis	−14.05	337-341dis	−11.72
Italy	1473.00 - 1501.00	1479.25 - 1479.75	12.60-13.60lireidis	−10.63	33.30-35.30dis	−9.27
Norway	6.9525 - 7.0025	6.9725 - 6.9775	4.40-5.40oredis	−8.43	11.80-12.80dis	−7.05
France	5.5250 - 5.5725	5.5400 - 5.5450	4.35-4.65cdis	−9.74	11.35-11.85dis	−8.37
Sweden	7.3000 - 7.4175	7.3475 - 7.3525	4.70-5.70oredis	−8.49	12.00-13.00dis	−6.80
Japan	124.80 - 125.35	125.00 - 125.10	0.05-0.07ydis	−0.58	0.08-0.10dis	−0.29
Austria	11.4500 - 11.5125	11.4550 - 11.4600	5.55-6.00grodis	−6.05	13.75-14.85dis	−4.99
Switzerland	1.4815 - 1.4950	1.4900 - 1.4910	0.34-0.37cdis	−2.86	0.86-0.91dis	−2.38
Ecu	1.1980 - 1.2090	1.2070 - 1.2080	0.81-0.79cpm	7.93	2.00-1.97pm	6.58

Commercial rates taken towards the end of London trading. † UK, Ireland and ECU are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency.

EURO-CURRENCY INTEREST RATES

Jan 11	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	7 - 6¾	7 - 6¾	7¼ - 7⅛	7¼ - 7⅛	7 - 6⅞	6⅞ - 6⅝
US Dollar	3⅛ - 3⅛	3⅛ - 3⅛	3¼ - 3⅛	3⅜ - 3¼	3½ - 3⅜	3⅞ - 3¾
Can. Dollar	6⅝ - 6⅜	7 - 6¾	6⅞ - 6⅝	6⅞ - 6⅝	6⅞ - 6⅝	7⅛ - 6⅞
Dutch Guilder	8¾ - 8⅝	8⅝ - 8⅛	8⅝ - 8⅛	8 - 7⅞	7⅝ - 7½	7⅛ - 7⅛
Swiss Franc	5½ - 5¼	5½ - 5⅛	5⅝ - 5½	5⅝ - 5⅜	5½ - 5⅜	5⅛ - 5⅛
D-Mark	8⅝ - 8⅝	8⅝ - 8⅝	8⅝ - 8⅛	8⅝ - 8⅛	8⅛ - 7⅞	7½ - 7⅜
French Franc	12 - 11⅞	12⅛ - 12	11⅞ - 11⅛	11⅞ - 11⅛	10⅝ - 10½	9⅝ - 9½
Italian Lira	12⅞ - 12⅛	12⅞ - 12⅛	12⅞ - 12⅛	12⅞ - 12⅛	12⅞ - 12⅛	13 - 12⅞
Belgian Franc	8⅞ - 8⅞	8⅞ - 8⅞	8⅞ - 8⅞	8⅛ - 8⅛	7⅞ - 7⅞	7⅞ - 7⅞
Yen	3⅞ - 3⅞	3⅞ - 3⅞	3⅞ - 3⅞	3⅞ - 3⅞	3⅞ - 3⅞	3⅞ - 3½
Danish Krone	13 - 11	15 - 13	17 - 14	17 - 14	14 - 12	13 - 10
Asian $Sing	2⅛ - 2⅛	2⅛ - 2	2⅛ - 2	2⅛ - 2⅛	2⅞ - 2⅞	2⅞ - 2⅞

MONEY MARKETS

A less bullish tone

MONEY MARKET dealera started the week believing that another cut in German rates was certain to come before the spring, but the tone of yesterday's trading was noticeahly less bullish than last week's, *writes James Blitz.*

Last Thursday's 15 hasis point cut in German money market rates has led many operators to believe that the Bundesbank could aggressively ease policy as early as next month.

However, even before Christmas, the market was pricing more than 100 basis points off 3-month money by the end of the first quarter of this year. There were limits, therefore, to the extent that laat week's small easing hy the Bundesbank could boost sentiment in markets.

UK clearing bank base lending rate 7 per cent from November 13, 1992

In a day devoid of any news in terms of indicators or policy, the March Euromark contract fell hack 18 hasis points, bottoming out at 92.05. It later closed at 92.06. At this level, it prices 3-month money at 7.94 per cent in mid-March, some 60 points below the current level.

One London-basad dealer was not at all surprised that the market had failed to consolidate last week's rally. "We were setting a new high of 92.32 for the March contract last Tuesday," he said. "Yet, when the Bundaahank cut money market ratea on Thursday, the contract failed to break through to a new level."

He auggested that the contract had failed to go any higher for want of any news.

The fall in Euromarks had a depressive effect on French franc futures. Tha March contract fell 14 basis points to cloae at 90.45, a level that assumes that 3-month money in March will be at 9.55 per cent.

French cash rates were softer for the third day running. Three-month money closed down at 11¼ per cent from a previous close of 12 per cent.

In the sterling market, the Bank of England'a forecast of a shortage of £200m was far smaller than soma dealers had expected, although it was revised to £300m in the afternoon and was fully removed.

Three-month money closed slightly softer at 7¼ per cent from 7¼ per cent on Friday night. The March short sterling contract closed down 4 basis points at 93.29. Dealers said the market remained nncertain about the timing of the next moves in UK rates.

FINANCIAL FUTURES AND OPTIONS

MONEY MARKET FUNDS

Money Market Trust Funds

Money Market Bank Accounts

BASE LENDING RATES

FT LONDON INTERBANK FIXING

MONEY RATES

LONDON MONEY RATES

CROSSWORD

No.8,048 Set by ALAUN

ACROSS

1 Old crocks setting up camp? (8)
6 Shift when the whip is shown (6)
10 Call audibly for a squeeze (5)
11 A restaurant with bars? (5-4)
12 The followers, without exception, are completely supportive (3,6)
13 He wrote back, "Double the money for the orient" (5)
14 Doesn't argue about heving days out (6)
15 Also known as the Cinderella plant? (7)
18 Is faster-moving and more successful as a play (7)
20 Slipped to, inside, showing no emotion (6)
22 She's in for a little bit of a lesson (5)
24 Not a stirring biography from which to make a picture (5-4)
25 Preparing the repast if 1 pop in for drinks (9)
26 The saying "A day at a time" (5)
27 Carrying the can, got turned out (6)
28 In return, arouse one's curiosity (8)

DOWN

1 A two-foot tree (6)
2 What the dog-cart had at night? (4-5)
3 Do only the upper classes get it? (6,9)
4 Gets back in gear, hurtling towards the bend (7)
6 Wanting to be popular posthumously? (7,2,6)
7 Plays a flute that sounds like a horn? (5)
8 Sing with a tiny group: "Mankind" (8)
9 Make it difficult to get further back (6)
16 Begin to talk about one taking to drink (9)
17 Does its engine go "putt-putt"? (4,4)
19 Is in the hide when the bird appears (6)
20 Quickly assumes the number's come up by mistake (5,2)
21 Leave and waste (6)
23 Making clear to the minister in turn (5)

Solution to Puzzle No.8,047

WORLD STOCK MARKETS

INDICES

NEW YORK

DOW JONES	Jan 8	Jan 7	Jan 6	Jan 5	1992/93 HIGH	1992/93 LOW	Since compilation HIGH	Since compilation LOW
Industrials	3251.67	3268.69	3305.16	3307.87	3413.21 (1/6/92)	3136.58 (9/10/92)	3413.21 (1/6/92)	41.22 (2/7/32)
Home Bonds	103.59	103.75	103.90	103.82	103.90 (6/1/93)	98.41 (20/3/92)	103.90 (6/1/93)	54.99 (1/10/81)
Transport	1488.29	1480.23	1467.74	1459.48	1488.29 (8/1/93)	1204.40 (26/8/92)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	217.14	218.58	221.27	220.33	225.59 (3/1/92)	200.74 (8/4/92)	236.23 (2/1/90)	10.50 (8/4/32)

DJ Indl. Day's High 3280.31 (3333.53) Low 3221.68 (3250.32) (Theoretical)
Day's High 3268.96 (3313.00) Low 3231.95 (3260.86) (Actual)

STANDARD AND POOR'S

Composite ‡	429.04	430.73	434.52	434.34	441.28 (18/12/92)	394.50 (8/4/92)	441.28 (18/12/92)	4.40 (1/6/32)
Industrials	499.48	500.95	505.60	506.05	515.75 (18/12/92)	470.91 (8/4/92)	515.75 (18/12/92)	3.62 (21/6/32)
Financial	39.89	40.13	40.62	40.49	41.07 (30/12/92)	32.40 (8/4/92)	41.07 (30/12/92)	8.64 (1/10/74)
NYSE Composite	236.21	237.26	239.15	239.25	242.08 (18/12/92)	217.92 (8/4/92)	242.08 (18/12/92)	4.46 (25/4/42)
Amex Mkt. Value	395.84	397.12	397.60	397.31	418.99 (12/2/92)	364.86 (9/10/92)	418.99 (12/2/92)	29.31 (9/12/72)
NASDAQ Composite	677.21	678.21	681.85	674.34	681.85 (6/1/93)	547.84 (26/6/92)	681.85 (6/1/93)	54.87 (31/10/72)

	Jan 7	Dec 31	Dec 24	year ago (approx.)
Dow Industrial Div. Yield	3.19	3.14	3.12	2.89
	Jan 8	Dec 16	Dec 8	year ago (approx.)
S & P Industrial div. yield	2.58	2.58	2.58	2.78
S & P Indl. P/E ratio	26.85	26.78	27.10	23.24

3:15 pm January 11

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1992–93 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
15⅞	10⅛	AAR Corp	0.48	4.0	22	208	12	11⅞	12	+⅛
25½	18	A L Labs A	0.16	0.7	180	417	25⅜	20⅝	25⅜	+¼
68⅜	52⅝	AMP Inc	1.52	2.6	22	1552	60	58⅞	59½	+⅝
80¼	64⅛	AMR				144794	70¼	69⅜	69¼	−⅜
2⅛	1⅛	ARX			12	16	1⅞	1⅞	1⅞	
53⅛	30½	ASA	3.00	0.3	29	187	31¼	28⅛	25⅜	−⅝
34¼	26⅜	Abbott Lab z	0.60	2.1	20	8952	29⅜	28⅝	28⅜	+13/32
13⅞	10⅜	Abitibi Pr x	0.60	4.4	4	587	11¼	11⅜	11¼	+⅝
11⅛	10⅛	ACM Gvt In	0.36	3.3		128	10⅞	10¼	10¼	−¼
10⅛	9	ACM GvOpp	1.21	13.1		110	9⅛	9¼	9¼	−⅛
6¾	8½	ACM Gvt Sp	0.65	9.4		133	9	8⅞	8	
11⅜	9⅞	ACM Gvt Se	1.01	9.4		813	10¾	10⅛	10¾	
10⅛	8⅝	ACM Man	1.16	11.7		40	10⅛	10	10¼	
12⅞	8⅛	ACM Managd	0.78	8.8		156	8	8⅞	8⅞	
11⅜	4¾	Acme Cleve	0.40	4.8	15	24	8⅛	8¼	8⅛	+¼
7⅜	3¾	Acme Elect			167	294	u8⅛	8¼	8⅛	+¼
98¼	14¾	Acuson			11	1565	15⅛	14¾	14⅞	
31	18⅛	Adams Expr	1.62	8.2	1	72	18⅞	19⅛	19⅛	−⅛
49⅜	26½	Ad Micro	3.98	0.2		142	48¼	47¾	40¼	+⅝
21½	7½	Ad Micro P	3.00	15.2		89533	19⅞	19¼	18⅛	+½
9¾	4⅞	Advest Grp	0.16	2.8	11	38	5⅜	5⅜	8⅛	
42¾	25	Aegon ADR	1.35	3.3	7	37	41½	41⅛	41⅛	−⅛
40¾	38	Aetna Lf	2.19	3.8	13	2377	47⅜	46⅛	47¼	+½
12¾	6⅛	AffII A	0.24	1.7	18	3678	u14½	13⅛	13¾	+¾
34⅞	24	Aflac	0.44	1.3	15	261	u34⅞	34	34⅛	−¼
19½	13	Ahmanson	0.88	4.8		82668	18⅜	18	18½	+⅛
22½	4	Aileen Inc			11	124	8⅞	8⅛	8¾	
49⅛	36½	Air Pr Chm x	0.28	1.8	19	218	47⅜	46⅞	46⅞	−½

- B -

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- P - Q -

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Continued on next page

NYSE COMPOSITE PRICES

Continued from previous page

NASDAQ NATIONAL MARKET

3:15 pm January 11

Price data supplied by Telekurs.

AMEX COMPOSITE PRICES

3 pm January 11

SINGAPORE

The FT proposes to publish this survey on March 1 1993
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FT SURVEYS

AMERICA

Dow recovers despite further tension in Gulf

Wall Street

US SHARE prices posted modest gains as investors traded cautiously against a backdrop of increased tension in the Middle East, *writes Patrick Harverson in New York.*

At 1 pm, the Dow Jones Industrial Average was up 8.11 at 3,259.78. The more broadly based Standard & Poor's 500 was up 1.63 at 430.68, while the Amex composite was 1.03 higher at 396.87, and the Nasdaq composite added 2.31 to 679.52. Volume on the NYSE stood at 123m shares by 1 pm, and rises outnumbered declines by 954 to 751.

News that Iraqi officials had called for an "honourable holy war" against the UN allies, and that Iraqi personnel had crossed the border into Kuwait for the second time prompted an uneasy start to trading.

Investors have been unsettled by the tension in the Gulf because they fear that a renewal of hostilities between Iraq and the US and its allies could shatter the fragile confidence that consumers have regained since the presidential election.

However, some bargain-buying in the wake of the Dow's 1.1 per cent decline last week, and a continued influx of new funds into equities helped share prices to rebound from an early decline.

IBM rallied from the previous week's losses, rising $1⅝ to $47⅞ in volume of almost 2m shares. Other big technology stocks were also firmer, with Motorola up $2⅜ at $112¼, Digital Equipment $⅞ higher at $35⅛ and Compaq $1⅛ higher at $49⅝.

Sunbeam-Oster fell $1 to $15⅜ on the news that Mr Paul Kazarian, the chairman of the consumer products company, had been sacked last weekend. At least one broking house, PaineWebber, downgraded the stock, citing the short-term uncertain outlook for the company following Mr Kazarian's departure.

Exel fell $1⅛ to $43⅞ in response to disappointing fourth quarter profits, which came in slightly below the $76.7m the Bermuda-based insurance company earned a year ago.

Nantucket Industries dropped $2½ to $12 on the American Stock Exchange after the company reported fiscal third quarter earnings of of 18 cents a share, only slightly higher than a year ago and below market expectations.

On the Nasdaq market, Advanced Interventional jumped $1 to $4⅞ in busy trading after the company settled a patent dispute with Pillco by entering a licensing pact with the latter.

St Paul Bancorp climbed $⅞ to $23⅞ on the news that fourth quarter earnings had risen by almost 30 per cent to 76 cents a share.

Canada

TORONTO stocks were mostly flat at midday but were underpinned by a new round of prime rate cuts which helped the market recover from earlier weakness. Losses were led by heavily-weighted gold shares, which slid on weakness in bullion futures.

The TSE-300 index fell 2.0 to 3,309.8 in volume of 26.6m shares valued at C$221m. Advances led declines by 258 to 233 with 229 issues unchanged.

Gold losses were led by American Barrick, which fell C$1 to C$36⅝, followed by Pegasus Gold which eased C$⅜ to C$17⅛.

SOUTH AFRICA

JOHANNESBURG remained positive as De Beers extended last week's gains with a rise of R1.50 to R64. The overall index put on 29 to 3,411, while industrials added 28 to 4,562 and the gold index advanced 10 to 800.

EUROPE

Middle East fears put bourses in cautious mood

WALL Street's fall on Friday and weakness in London yesterday contributed to the cautious mood on the Continent, *writes Our Markets Staff.*

PARIS fell on Middle East jitters which made fund managers reluctant to commit themselves either way to the market. The CAC-40 index fell 38.05 to 1,814.58 in modest turnover of FFr2.1bn.

Lafarge Coppée fell FFr6.90 to FFr330 on news that its US unit will record a $62m exceptional loss on 1992 accounts due to new US accounting rules regarding post-retirement benefits and income tax expenses.

Air Liquide, which also has a US subsidiary, lost FFr21 to FFr754, on fears that it might have to do the same thing.

Weak oil prices weighed on Total, down FFr5 to FFr235 and Elf, down FFr15.20 to FFr341.

AMSTERDAM was depressed by weakness in the transport sector while Royal Dutch shed Fl1.30 to Fl147.40 after Hoare Govett downgraded the stock to a "sell" after forecasting dividends in 1992 and 1993 of Fl8.35 after Fl6.20 in 1991. The CBS Tendency index lost 0.6 to 96.0.

Nedlloyd lost Fl3.00 or 10 per cent to Fl27.40 as selling accelerated on last week's news that Mr Toratein Hagen had reduced his stake and had resigned from the supervisory board. KLM weakened Fl1.20 to Fl24.40 on unsubstantiated reports that it was losing some Fl2m a day while Frans Maas shed Fl2.50 to Fl44.50 after forecasting sharply lower earnings in 1993.

Hagemeyer went against the trend with a gain of Fl8.00 or 6.2 per cent to Fl136.00 on better than expected 1992 results and a positive 1993 forecast.

MILAN fell in technical trading ahead of the expiry of options contracts tomorrow. However, dealers reported that the lira's weakness was encouraging some buying by foreigners. The Comit index fell 7.48 or 1.6 per cent to 449.21 in turnover estimated at around Friday's L225.9bn.

Domestic political worries, as the ex-communist Democratic Party of the Left prepared a vote of no-confidence in the four-party coalition, also weighed on the market.

FT-SE Actuaries Share Indices								
January 11								THE EUROPEAN SERIES
Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1075.89	1077.18	1076.02	1075.01	1073.36	1070.35	1069.18	1069.87
FT-SE Eurotrack 200	1165.29	1164.14	1163.97	1160.08	1157.92	1156.59	1154.16	1155.95
	Jan 8	Jan 7	Jan 6	Jan 5	Jan 4			
FT-SE Eurotrack 100	1080.25	1081.92	1091.68	1090.07	1083.42			
FT-SE Eurotrack 200	1167.34	1171.90	1179.18	1180.18	1174.71			

Base value 1000 (26/10/90) High/day: 100 - 1077.67; 200 - 1166.14 Low/day: 100 - 1069.04 200 - 1154.11.

Fiat was fixed L110 lower at L4,155 and slid to L4,065 after hours on a newspaper report that Italian car sales fell 8.5 per cent in December from the year-ago period. After the close, the trade group, Anfia, said that car deliveries fell 6.36 per cent year-on-year in December.

FRANKFURT saw mark-ups among carmakers, mild weakness in banks and an average performance from chemicals as the DAX index closed a mere 0.44 higher at 1,531.96.

Turnover was said to be thin again, after Friday's DM3.7bn. Daimler led the carmakers higher with a rise of DM6 to DM638.30 but analysts said that this was merely a reaction to last week's losses in the shares after a hefty 1993 earnings downgrade by brokers James Capel.

In the same sector Volkswagen ended DM2 higher at DM256.50. Analysts expect its management to discuss a programme to cut costs significantly at a board meeting tomorrow.

MADRID ran into selling pressure in the afternoon and the general index closed down 0.79 at 219.37. Endesa slipped Pta110 to Pta3,900 on profit-taking.

FG inversiones Bursátiles said at a presentation in London yesterday that it was recommending defensive stocks "with clear overweightings in the electricity sector and motorways". The Madrid broker continued to believe that the first-half of the year was unlikely to see much of a market rally, and that investors should reduce positions above 220 on the general index.

ZURICH dropped and rumours about Nestlé were mainly to blame in spite of a denial by the food company that it was planning a rights issue. Nestlé bearers fell SFr50 to SFr1,080 and the SMI index closed 25.4 lower at 2,049.5.

Bearers in the arms and engineering group, Oerlikon-Bührle, rose SFr35 to SFr400 after a Sunday newspaper report that first payments had been received on an arms deal announced last March.

BRUSSELS concentrated on Delhaize, up BFr50 or 4.3 per cent to BFr1,278 after it reported a better than expected 5 per cent increase in 1992 earnings and a rise in the dividend after Friday's close. The Bel-20 index closed just 0.14 ahead at 1,144.11 in turnover of BFr1.1bn.

STOCKHOLM fell, but closed above early lows after publication of the budget for the fiscal year ending June 1994. Rising money market rates also weighed on prices. The Affärsvärlden General index fell 5.2 to 943.1 in turnover of SKr802m after Friday's SKr948m.

Astra attracted more profit-taking, its A shares falling SKr10 to SKr716.

OSLO continued its downward correction, pulled down by losses in Kvaerner and Norsk Hydro. The all-share index shed 3.41 to 385.86 in light turnover of NKr147m. Norsk Hydro lost NKr1 to NKr163, while Kvaerner ended down NKr4 at NKr156.

HELSINKI was pulled down by the bank index which dropped 17.8 per cent on government plans to cut the nominal value on bank shares in compensation for state support. The Hex index fell 16.79 or 1.9 per cent to 888.8, closing above its early lows.

ISTANBUL closed at its highest level since late September on expectations of good 1992 company results. The 75-share index improved 24.85 to 4,163.13 in turnover of TL195bn.

ASIA PACIFIC

Nikkei weakens as Hong Kong gains 2.6 per cent

Tokyo

THE NIKKEI average traded in a narrow range yesterday before slipping slightly towards the close, *writes Bethan Hutton in Tokyo.*

The index closed down 45.14 at 16,589.55, its fifth consecutive fall, having seen a low of 16,532.06 and a high of 16,698.30.

Declines outnumbered advances by 577 to 277, with 236 unchanged. Participation weakened, and volume dropped to an estimated 120m shares after 221m on Friday. The Topix index of all first section shares lost 5.59 to 1,283.93 and, in London, the ISE/Nikkei 50 index rose 2.13 to 1,042.42.

Weekend reports that the ministry of finance had requested banks not to sell stocks, hoping to enhance balance sheets in time for the end of the financial year in March, were not enough to improve sentiment. Arbitrageurs, public pension funds and investment trusts continued to be the main players, with few individual buyers attracted to the market.

Ms Kathy Matsui, a strategist with Barclays de Zoete Wedd, predicted that the Nikkei would continue to drift above the 16,000 mark in the first quarter. "We really do need some measures on behalf of the government to stimulate confidence. There is nothing further that can be done from the corporate sector or the financial sector to boost the economy," she said.

Profit-taking continued to weaken many shares which had made gains on news of the crown prince's engagement late last week, particularly in the paper and printing sectors. Oji Paper lost Y4 to Y862, Mitsubishi Paper Mills fell Y12 to Y545, and Kanzaki Paper dropped Y16 to Y606.

However, department stores and television companies continued to do well out of the imperial wedding. Mitsukoshi gained Y1 to Y731, Takashimaya advanced Y6 to Y902 and Marui put on Y20 to Y1,120. Nippon Television Network rose Y1,100 to Y14,800.

The banking sector was generally weaker. Industrial Bank of Japan dropped Y20 to Y2,350, Bank of Tokyo fell Y30 to Y1,250, Mitsubishi Bank lost Y40 to Y2,210, and Daiwa Bank closed down Y34 at Y916. Dai-Ichi Kangyo, Sakura, Fuji and Sumitomo banks experienced similar declines.

Kawasaki Steel and Nippon Steel both closed unchanged after heavy trading. Victor Co of Japan (JVC) eased after recent gains, closing at Y840, down Y20.

In Osaka the OSE index dropped 89.25 to 18,309.73 in volume of 49.7m shares.

Roundup

WEAKNESS on Wall Street gave some of the region's markets a poor start to the week, but a number made gains. Bombay was closed due to violence in the city.

HONG KONG ended 2.6 per cent higher on overseas buying which some local analysts viewed as over-optimistic. The Hang Seng index closed 143.54 higher at 5,673.10, its day's high. Turnover was more than HK$2.3bn, well above the depressed levels of last week.

UK institutions led the buying on apparently conciliatory comments by Chinese leaders on Friday on the Sino-British row over Hong Kong's plans for political reform. Among the most active stocks, HSBC was HK$3.00 higher at HK$59.00.

AUSTRALIA bounced back after three days of heavy losses. After sinking below 1,500 in the morning on heavy futures selling, the All Ordinaries index closed 11.8 higher at 1,514.1, off a low of 1,487.6.

Thin trading contributed to the market's volatility. BHP and CRA led the recovery, both rising to A$13, up 18 cents and 30 cents respectively.

TAIWAN, which had extended its recovery on Saturday with a 2.6 per cent gain on hopes that parliament would vote to cut the stock transaction tax as early as this week, focused on Finance Ministry opposition to the move and fell 2.6 per cent, the weighted index closing 82.61 lower at 3,171.24.

Brokers said that investor confidencs remained very weak ahead of a cabinet reshuffle expected by early February.

NEW ZEALAND blamed the Dow and a thin summer market as the NZSE-40 index closed down 26.90 at 1,498.96. Volume was a very thin NZ$10.2m.

SINGAPORE looked for a first-quarter rally, but failed to get it as sentiment was dampened by a weaker Malaysian market; the Straits Times Industrial index fell 12.20 to 1,543.96. **KUALA LUMPUR**'s composite index fell 8.05 to 621.46, weakened by talk that Malayan Banking is planning a one-for-four rights issue.

BANGKOK's banks slowed down after last week's gains but the SET index was still 5.91 higher at 926.70 in turnover of Bt8.80bn. Thai Farmers Bank gained Bt8 to Bt772, Bank of Ayudhya Bt2.50 to Bt28.75 and Krung Thai Bank Bt10 to Bt348, while Bangkok Bank was unchanged at Bt101.

Finland rises as door opens to foreigners

MARKETS IN PERSPECTIVE

	% change in local currency †				% change sterling †	% change in US $ †
	1 Week	4 Weeks	1 Year	Start of 1993	Start of 1993	Start of 1993
Austria	-3.10	+0.79	-15.12	-3.10	-6.47	-4.74
Belgium	+1.61	+2.41	-0.17	+1.61	-2.00	-0.20
Denmark	+3.40	-1.36	-24.82	+3.40	+0.71	+2.58
Finland	+9.14	+5.28	+16.76	+9.13	+2.54	+4.45
France	+0.24	+4.83	+3.67	+0.24	-2.38	-0.58
Garmany	-0.65	+3.44	-6.43	-0.65	-3.52	-1.74
Ireland	+6.83	+12.45	-7.43	+6.83	+3.63	+5.55
Italy	+2.55	+9.98	-6.20	+2.55	-1.10	+0.73
Netherlands	+1.06	+1.56	+6.15	+1.06	-1.86	-0.05
Norway	+4.86	+0.47	-9.18	+4.86	+1.45	+3.33
Spain	+2.75	+3.47	-10.02	+2.75	-0.71	+1.12
Sweden	+2.87	+6.84	+18.73	+2.97	-3.60	-1.92
Switzerland	-0.67	+3.98	+19.02	-0.67	-4.34	-2.57
UK	-1.07	+3.98	+14.67	-1.07	-1.07	+0.76
EUROPE	-0.06	+4.09	+6.03	-0.06	-1.94	-0.13
Australia	-3.04	+0.46	-11.65	-3.04	-6.91	-5.20
Hong Kong	+0.46	+8.01	+24.52	+0.46	-1.36	+0.46
Japan	-1.50	-2.75	-22.65	-1.50	-3.59	-1.61
Malaysia	-1.67	-1.41	+15.58	-1.67	-2.78	-0.98
Naw Zealand	-2.18	-0.12	-5.64	-2.18	-4.80	-2.82
Singapore	+0.91	+6.78	-2.39	+0.91	-2.30	-0.48
Canada	-1.54	+0.04	-7.92	-1.54	-4.12	-2.35
USA	-1.53	-0.94	+2.82	-1.53	-3.31	-1.53
Maxico	+3.59	+5.46	+22.08	+3.59	+2.18	+4.07
South Africa	+4.07	+4.32	-7.97	+4.07	+1.43	+3.30
WORLD INDEX	-1.07	+0.04	-4.57	-1.07	-3.01	-1.20

† Based on January 8th 1992. Copyright, The Financial Times Limited, Goldman, Sachs & Co.,and NatWest Securities Limited.

By Antonia Sharpe

Finland stood out with a 9.1 per cent gain in local currency terms, while poor performances in Japan and on Wall Street left the FT-Actuaries World Index 1.1 per cent lower in the first trading week of 1993.

The abolition of restrictions on foreign ownership of Finnish shares and a change in the tax regime in favour of equities have provided further reasons to buy into the Helsinki stock market. It received a boost late last year by the devalnation of the markka, which should greatly improve Finland's international competitiveness.

Mr Christian Diebitsch at Kleinwort Benson also points to the successful conclusion of the 1993 wage round and the government's survival in recent local elections for his house's positive stance towards Finland. The country is also expected to enjoy modest growth in GDP this year after two years of falls.

The prospect of a devaluation in the punt prompted a 6.8 per cent rise in Ireland in local terms, though in sterling terms the rise was only 3.6 per cent. Other gainers on the week included Norway, up 4.9 per cent in response to a cut in interest rates, while South Africa added 4.1 per cent thanks to a strong rise in De Beers in the wake of better-than-expected 1992 diamond sales.

Japan declined 1.5 per cent in spite of the announcement on Thursday of the engagement of the Crown Prince Naruhito which raised hopes that the royal wedding would have some positive impact on the economy.

Analysts at Nomnra Research Institute say that even if there is a rush of copy-cat marriages in Japan, say of 10 per cent, creating an extra Y500bn ($4bn) of demand, this would only account for about 0.1 per cent of GNP.

US equities suffered a similar fall, weighed down by unease about developments in the Middle East and unexpectedly weak employment figures for December.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Gnldman, Sachs & Co. and NatWest Securities Limited in cnnjunction with ths Institute nf Actuaries and the Faculty nf Actuaries

NATIONAL AND REGIONAL MARKETS	FRIDAY JANUARY 8 1993							THURSDAY JANUARY 7 1993					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1992/93 High	1992/93 Low	Year ago (approx)
Australia (68)	118.62	−1.8	114.05	93.92	100.99	117.32	−2.0	4.14	120.98	116.77	95.70	102.90	118.69	153.68	108.18	147.24
Austria (18)	133.51	−1.2	128.37	105.71	113.67	113.75	−0.8	2.15	135.09	130.38	106.88	114.89	114.83	186.70	132.97	167.81
Belgium (42)	132.67	+0.4	127.85	105.27	113.20	111.00	+1.0	5.15	132.44	127.83	104.76	112.64	109.90	152.27	131.18	140.68
Cenada (113)	112.92	−0.7	108.57	89.40	96.13	104.83	−0.5	3.23	113.70	109.75	89.94	96.70	105.30	142.12	111.36	138.18
Denmark (33)	190.92	−0.4	183.56	151.18	162.53	164.24	−0.3	1.66	191.89	185.03	151.85	163.05	164.71	273.94	181.70	265.41
Finland (23)	72.71	−2.2	69.80	57.57	61.90	83.39	−1.6	1.69	74.33	71.75	58.81	63.23	84.71	89.80	52.84	82.08
France (99)	146.33	+0.3	140.69	115.84	124.56	127.85	+0.5	3.53	145.88	140.80	115.39	124.06	127.23	186.75	136.93	149.71
Garmany (62)	102.23	−0.8	98.29	80.95	87.03	87.03	−0.7	2.81	103.06	99.47	81.54	87.65	87.65	129.89	102.20	114.67
Hong Kong (55)	222.57	−0.1	214.00	176.21	189.49	221.23	−0.1	4.05	222.83	215.08	176.28	189.54	221.48	262.28	176.36	178.80
Ireland (15)	143.31	−0.2	137.79	113.46	122.01	125.93	−0.2	4.35	143.60	138.61	113.60	122.14	126.18	173.71	122.98	166.54
Italy (76)	55.27	+1.1	53.14	43.78	47.05	61.92	+0.4	5.36	54.68	52.77	43.25	46.50	61.70	80.86	47.47	76.58
Japan (472)	103.13	−0.8	99.18	81.65	87.81	81.65	−0.8	1.03	104.01	100.40	82.28	88.48	82.28	140.95	87.27	128.94
Malaysia (69)	258.89	−1.6	248.92	204.96	220.40	258.99	−1.5	2.58	263.16	254.03	208.19	223.84	262.98	282.42	212.49	213.87
Mexico (18)	1715.04	−0.6	1648.87	1357.64	1460.07	5823.25	−0.8	1.03	1725.81	1665.80	1365.28	1467.89	5858.79	1789.77	1185.84	1467.76
Netherland (25)	151.33	−0.7	145.50	118.81	128.83	127.05	−0.7	4.48	152.37	147.07	120.54	129.60	127.89	189.70	147.88	148.04
New Zealand (13)	41.68	−1.5	40.07	33.00	35.49	43.34	−1.5	5.05	42.31	40.84	33.48	35.99	44.15	48.52	37.39	47.18
Norway (22)	142.29	−0.7	136.81	112.66	121.14	135.58	−0.8	1.78	143.35	136.38	113.40	121.93	136.73	192.95	129.05	177.30
Singapore (38)	212.32	−0.8	204.14	168.10	180.75	182.76	−0.5	2.02	213.93	206.49	169.24	181.95	183.65	229.63	179.85	216.21
South Africa (60)	152.99	+0.1	147.09	121.12	130.24	163.54	+1.6	3.12	152.83	147.52	120.80	129.69	160.95	263.80	134.21	263.60
Spain (47)	117.92	+0.0	113.38	93.36	100.39	103.98	+0.3	5.68	117.88	113.87	93.33	100.34	103.68	161.72	107.10	154.99
Sweden (36)	162.55	−0.7	156.29	129.70	138.39	178.49	−0.2	2.40	163.72	158.03	129.52	138.26	178.81	200.28	149.69	160.74
Switzerland (56)	110.11	−0.2	105.86	87.15	93.75	101.98	−0.1	2.10	110.33	105.48	87.28	93.85	102.08	122.37	95.99	100.21
United Kingdom (226)	173.67	−0.2	166.98	137.49	147.84	166.98	−0.5	4.43	174.02	167.57	137.66	148.00	167.97	200.07	181.88	176.80
USA (522)	175.38	−0.4	168.62	138.68	148.31	175.38	−0.4	2.92	176.03	169.81	139.26	149.73	176.03	180.06	160.92	169.48
Europe (781)	135.83	−0.2	130.80	107.54	115.64	124.78	−0.3	3.78	136.11	131.38	107.68	115.77	125.18	156.68	131.31	143.93
Nordic (114)	148.38	−0.8	142.65	117.46	126.31	143.99	−0.4	2.13	149.52	144.32	118.29	127.18	144.53	188.52	141.24	183.10
Pacific Basin (715)	107.71	−0.8	103.56	85.28	81.70	87.11	−0.8	1.39	108.87	104.89	85.97	92.43	87.82	141.97	93.70	139.80
Euro−Pacific (1496)	115.08	−0.6	114.61	94.28	101.38	102.13	−0.6	2.50	115.77	115.51	94.74	101.67	102.72	145.21	113.80	136.36
North America (635)	171.51	−0.4	164.90	135.80	146.03	170.59	−0.4	2.93	172.17	166.18	138.22	146.48	171.24	176.04	158.70	167.49
Europa Ex. UK (555)	113.48	−0.2	109.11	89.88	88.93	101.80	−0.1	3.30	113.71	109.76	89.87	96.74	101.89	132.98	111.33	123.89
Pacific Ex. Japan (243)	152.70	−1.1	146.92	120.92	130.02	142.62	−1.1	3.72	154.35	148.99	122.13	131.30	144.15	175.31	146.06	149.17
World Ex. US (1687)	120.27	−0.8	115.64	95.23	102.40	104.26	−0.5	2.51	120.95	116.74	95.69	102.86	104.83	148.81	115.89	138.64
World Ex. UK (1983)	134.53	−0.5	129.34	106.52	114.54	122.13	−0.5	2.47	135.22	130.52	106.98	115.03	122.88	150.58	127.21	145.24
World Ex. So. Af. (2149)	137.92	−0.5	132.51	109.21	117.43	125.71	−0.5	2.89	138.60	133.76	109.65	117.89	126.32	153.05	130.04	147.23
World Ex. Japan (1737)	157.57	−0.4	151.50	124.76	134.16	151.97	−0.4	3.24	158.13	152.63	125.11	134.52	152.53	165.40	151.93	159.47
The World Index (2209)	137.92	−0.5	132.80	109.20	117.42	126.06	−0.6	2.68	138.58	133.77	109.84	117.89	126.66	153.70	130.66	148.00

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